Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta145
Cyprus C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $1.25	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$85
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Ø No. 30,518 Wednesday April 20 1988 D 8523 A

Terrorism: the rising curve of violent death, Page 22

World News

Danish leader calls snap election

Denmark's Prime Minister Poul Schlüter called a snap general election for May 10 on the issue of the country's continued full participation in the North Atlantic Treaty Organisation (Nato).

He said Denmark's role in the alliance was endangered by a resolution passed last week requiring the Government to inform visiting warships that the country did not permit nuclear weapons on its territories in time of peace. Page 24

Hijackers demand medical supplies

Conditions deteriorated on board a hijacked Kuwaiti jumbo jet in Algiers and gunmen who had held the aircraft for 15 days called for pills to treat diahorrea.

It was not clear whether the pills were for the gunmen, believed to number eight, or their estimated 31 remaining hostages.

Israelis expel 8 more

Israel expelled eight more Palestinians as government officials warned that Saturday's killing of PLO military chief Khalil al-Wazir, also known as Abu Jihad, could have a negative effect on the Middle East peace process. Page 24

US air accidents rise

The accident rate for US commuter airlines was unacceptably high last year and must not be allowed to recur, T. Allan McArtor, head of the Federal Aviation Administration said. There were 33 accidents with 58 deaths, the highest totals in a decade.

New York turnout

A heavy turnout was reported as New Yorkers voted in a presidential primary that could finally produce an undisputed Democratic frontrunner. Hard time for Gore, Page 4

Colombian 'emergency'

Amnesty International accused Colombia's armed forces of conducting a campaign of terror and political murder which had created a human rights emergency in the country. Page 4

Kidnapper jailed

Lebanese-born Abbas Ali Hamadi was found guilty of kidnapping two West Germans in Beirut and sentenced to 13 years in prison – a term longer than the prosecution had demanded.

Ethiopian aid plea

Ethiopia issued a fresh appeal for international aid to help 257,000 exhausted and malnourished Sudanese refugees who had crossed the border to escape drought and civil war in southern Sudan. Attempt to finish civil war, Page 5

Zimbabwe amnesty

President Robert Mugabe of Zimbabwe announced an amnesty for rebels who had been fighting his Government since 1982 in the western Matabeleland and nearby Midlands provinces.

End to surplus arms

Turkey would no longer receive surplus US military equipment from this year outside the formal defence and economic co-operation agreement, US Assistant Defence Secretary Ronald Lehman said in Ankara. Page 2

Johannesburg bomb

A bomb exploded in an office building in central Cape Town close to where the South African Parliament was in session. No one was injured in the explosion which was the sixth bomb blast in South Africa in the past week.

Ultimate cruise ship

An Indian-born entrepreneur announced plans to build the world's largest cruise ship – the 160,000-ton "Ultimate Dream" – at the Harland and Wolff state-owned shipyard in Belfast, Northern Ireland. The contract was valued at $500m. Details and Picture, Page 24

Business Summary

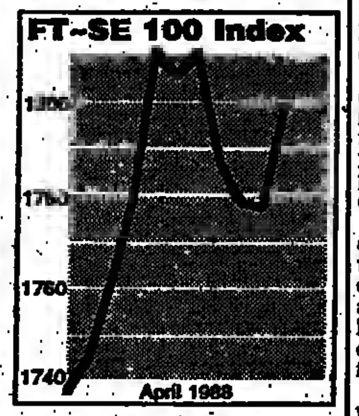
Sotheby's valued at up to $527m in flotation

SOTHEBY'S Holdings, international auction group, will be valued at up to $527m under its revived share flotation in London and New York. Trading in the shares may begin as early as next month. Page 25

TOKYO: Late buying helped share prices recoup most of the day's large early losses and the stock market ended slightly lower. The Nikkei average closed down 14.45 at 26,657. Page 46

LONDON: The firm opening on Wall Street helped London's FT-SE 100 index to finish at a day's high of 1,798.9, up 11.1. US buying pushed Racal Electronics sharply higher, while Plessey was also well up in the sector. Page 42

FT-SE 100 Index



WALL STREET: The Dow Jones industrial average closed down 8.62 at 1999.50. Page 46

DOLLAR closed in New York at DM1.6635; Y124.25; SFr1.3760; FFr5.6530. It closed in London at DM1.6630 (DM1.6565); Y124.15 (Y124.00); SFr1.3755 (SFr1.3705); and FFr5.65 (FFr5.6275). Page 35

STERLING closed in New York at $1.8985. It closed in London at $1.8985 ($1.9050); DM3.1475 (DM3.1550); Y235.00 (Y236.25); SFr2.6050 (SFr2.61); and FFr10.6975 (FFr10.72). Page 35

PORSCHE, troubled West German sports car company, plans to cut its labour force by about 1,000. Page 27

MORGAN STANLEY, US investment bank, continued to generate excellent results in the first quarter, although other investment houses on Wall Street revealed sharply divergent performances. Page 25

SEVERAL US commercial banks announced substantial gains in first-quarter profits. Page 25

BETHLEHEM STEEL, third-largest US steelmaker, said it would return to the stock market to raise up to $150m to help reduce its still onerous debts. Page 25

SOLVAY, Belgium's largest chemicals company, unveiled a 22.5 per cent increase in 1987 net profits and announced that investors are to get a one-for-20 share bonus to celebrate the company's 125th anniversary. Page 27

FABRIQUE Nationale Herstal, troubled arms and aeronautics affiliate of Société Générale de Belgique, reported its second consecutive year of losses. Page 25

SHELL AUSTRALIA, wholly owned local subsidiary of Royal Dutch/Shell, is to maintain its development programme by spending A$2.6bn (US$1.95bn) over the next five years. Page 26

MCI, second-largest US telecommunications carrier after AT&T, has reported record results for the first quarter. Page 25

CFP, French Total oil group, and MBB, West German aerospace concern, are to merge their solar energy activities. Page 27

WEST GERMAN Government plans to sell its remaining 60 per cent stake in Viag, energy, aluminium and chemicals group, next month, said a managing board member. Page 27

GOLD MINES in South Africa's Orange Free State province appear to be plagued by shortages of skilled labour, which some mines say are exacerbated by the colour bar. Page 26

Gulf tension eases as US and Iran avoid confrontation

BY OUR FOREIGN STAFF

THE US and Iran yesterday appeared to back away from the most dangerous military confrontation since the American naval build-up in the Gulf began last summer.

Although Tehran predictably vowed revenge for its losses in the naval engagement, one of the Islamic Republic's top leaders gave a clear signal to the Iranian people that, with its forces ceding ground to the Iraqis on the Faw peninsula, there were limits to what could be done about the humiliation suffered in the naval clashes with the US.

With the easing of tension crude oil prices lost much of the gain recorded on Monday. Brent for prompt delivery was quoted yesterday at $17.05 a barrel compared with $17.45 the previous day.

In Washington yesterday President Reagan said that tensions in the Persian Gulf appeared to be calming down after last Monday's air and sea battles in which six Iranian warships were sunk or crippled, including two of its four frigates.

"Wa hope it continues that way," said Mr Reagan at the start of talks with Republican congressional leaders and military advisers at the White House. His comments indicated that Washington intended no further military action unless provoked.

Early yesterday Iran continued its attacks on shipping in the Gulf, setting on fire a small Sharjah-registered tanker, Fal V, which was abandoned by its crew.

Western diplomats and analysts attached considerable significance to remarks by the powerful Mr Ali Akbar Rafsanjani, the parliamentary speaker and Ayatollah Khomeini's representative on the Supreme Defence Council, who warned on Tehran Radio that "time is not on our side any more." Mr Rafsanjani made no threat of retaliation, but appealed for volunteers for the war front.

In The Hague, foreign and defence ministers of the seven-nation Western European Union yesterday warned that attacks on shipping in the Gulf could lead to self-defensive action by the naval units deployed by members in the Gulf.

The declaration issued after the meeting implicitly condemned Iran for its mining activities and attacks against merchant shipping – without, however, naming Iran or Iraq.

The British Foreign Office yesterday delivered a strong protest to Mr Mohammed Mehdi Basti, Iranian charge d'affaires, about Monday's attack on the UK-owned tanker York Marine.

WEU role, Page 8; Editorial comment, Page 22

Iraqi soldiers give water to Iranian prisoners of war.

Citicorp acts to upgrade London-based operations

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

CITICORP, the largest US bank, has substantially upgraded its top European post in order to give new impetus to its London-based operations, which have been in a state of almost constant upheaval in the past three years.

The New York-based bank yesterday announced the appointment of Mr Paul Collins as senior corporate officer for Europe and the Middle East, based in London. Mr Collins is one of Citicorp's two vice-chairmen and, as such, second in rank only to Mr John Reed, the chairman. His predecessor in London was a senior vice-president.

On a recent visit to London, Mr Reed stressed the importance to Citicorp of its London-based operation and his wish to see it perform more effectively. He said he wanted it to develop on all fronts in the UK and in the rest of Europe.

In the past three years, a string of top-level defections and frequent policy changes both in the UK and in continental Europe badly undermined the credibility of Citicorp's London operations.

Since 1986, the five top people in London have resigned, and in that period the results of the Europe, Middle East and Africa division have slumped. Profits of $191m in 1985 were halved in 1986, and last year the division made a loss of $250m.

Mr Collins, aged 51, is a Harvard Business School graduate. He has been with Citicorp for 27 years and in that time, has headed the corporate planning department, the finance division, and the accounting and control function. He also headed Citicorp's new investment bank in the early 1980s.

Mr Collins is well-regarded in banking circles, where he has a reputation as a sound thinker and administrator. He was described by a former colleague yesterday as "a real survivor – someone who knows the corporation through and through."

The announcement of his appointment came with Citicorp's first-quarter results showing a rise in net income of 34 per cent to $358m. Mr Reed singled out the group's European investment banking operation, which performed poorly last year, as being "significantly profitable."

Results, Page 25

Nasdaq cleared to trade in UK

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT, IN LONDON

NASDAQ, the US electronic stock quotation system, yesterday became the first foreign stock market to be recognised under Britain's new securities laws when it was granted the status of a recognised invastment exchange by the UK Government.

The move will allow the exchange – the National Association of Securities Dealers Automated Quotation system – to continue operations in the UK following implementation of parts of the Financial Services Act later this month.

Legally, the move gives Nasdaq exactly the same status as the London stock exchange. It will allow securities dealers in the UK to conduct transactions on Nasdaq – which has a similar screen-based trading system to London – and allow the US exchange to conduct investment business in the UK.

Nasdaq, which is larger than the London exchange in terms of turnover but is less significant in the international trading of shares, has about 80 members in the UK, about 20 of which are market makers. Only about 12 have the Nasdaq trading screens installed, although this is likely to increase.

Only about 34 issues are traded on both exchanges and therefore competition for business in London between the two is likely to be limited, at least in the near term.

The London exchange was quick to attempt to quell fears that the Nasdaq move implied a competitiva threat, instead stressing the way the two exchanges were co-operating on joint projects.

Sir Nicholas Goodison, its chairman, said there was no reason for stock exchange members to be "alarmed or resentful."

The other main US markets – the New York Stock Exchange and the American Stock Exchange – are both planning to increase their presence in London in a bid to raise the number of UK and European companies listing on their exchanges.

However, neither will require recognition as an investment exchange because they both operate with trading floors, not computer screens, and these are firmly fixed in New York.

Lex, Page 24

Tax revolt spells end of honeymoon for Mrs Thatcher

By Peter Riddell, Political Editor, in London

BRITAIN'S Conservative government yesterday shrugged off a parliamentary revolt by its own supporters against a new local tax, after a battle which signals that Mrs Margaret Thatcher's post-election honeymoon is over, and pledged to press ahead with the controversial legislation.

An amendment designed radically to alter a proposed new law to replace local property taxes, known as rates, with a community charge, or poll tax as it has become known, on all registered voters was defeated by only 25 votes in the House of Commons on Monday. The Government has a majority of 101.

Although Monday's vote does not mean that Mrs Thatcher's dominance of her party is under threat, it represents one of the biggest rebellions by Conservative members of parliament since she came to power in 1979.

Of the 38 government members of Parliament who voted against the measure, 10 were former ministers.

Government ministers and aides to Mrs Thatcher rejected charges that the result was an embarrassing rebuff. Mr Nicholas Ridley, the Environment Secretary who is in charge of the bill's passage through Parliament, said it had been passed with "a good, workable majority."

Mrs Thatcher recalled Sir Winston Churchill's saying that a majority of one was enough. The amendment, proposed by Mr Michael Mates, a senior Conservative member of parliament, sought to lessen the impact of the poll tax on the poor by replacing the flat rate levy with a range of three payment levels linked to income.

Mr Ridley and Mrs Thatcher aides ruled out any further changes to the bill despite the level of opposition. The government admitted, however, that ministers had changed their policy last week towards helping the less well-off pay the charge.

The bill was a centrepiece of the manifesto on which the Conservatives fought last year's general election, a point noted by Mr Neil Kinnock, opposition Labour Party leader.

The bill will face a final vote in the House of Commons next Monday, when the Government's majority is expected to be larger, before going to the House of Lords. There was some dispute yesterday whether the upper chamber, which traditionally does not debate financial measures, was empowered to debate the proposals.

Editorial comment, Page 22

Airbus, Boeing likely to win Cocom support

BY DAVID MARSH IN BONN

WESTERN governments have agreed in principle to allow Eastern bloc countries to take delivery of civilian aircraft manufactured by the European Airbus group and Boeing of the US.

A new market could open up for high-technology airliners as a result.

Cocom, the Paris-based organisation of 16 Western governments which attempts to prevent militarily-useful technology passing to the Soviet bloc, is expected to authorise Airbus and Boeing deals with three Eastern European countries in the next few weeks.

Formal approval, which could come as early as the end of May, will be conditional on strict Western control of spare parts and maintenance to prevent any unauthorised examination by Eastern bloc technicians of the aircrafts' engines and electronic systems.

The expected ruling reflects the latest streamlining of Cocom procedures and the overall thaw in East-West political relations. Eastern bloc airlines have, up to now, been mainly reliant on Soviet airliners which are highly inefficient and noisy by US and European standards.

By paving the way for widespread potential Western airliner deals with the East in coming years, the Cocom move could dilute the technological hold of the Soviet Union in an important sphere of its satellite countries' economies.

It could also indirectly assist East-West contacts by cutting costs of travel and tourism between the two political blocs.

Although Cocom has not yet completed its full vetting procedures, officials close to the organisation said that applications by Airbus to lease aircraft to East Germany, and for Boeing to carry out deals with Poland and Romania, are likely to go through.

The applications were lodged in the past few weeks by France, which is the formal exporter of the Airbus, and the US.

"The way is free in principle . . for all participants, it is unproblematical," said one official. "The feeling is that sales of civil aircraft are allowed," said another.

Romania already operates the

Continued on Page 24

Italian PM says country in crisis

BY JOHN WYLES IN ROME

ITALY'S 48th post-war Government was launched yesterday by Mr Ciriaco De Mita, the new Prime Minister, with a sombre warning that the country's "entire political system" was in crisis. He also made an urgent appeal for wide reforms to equip the country for the 1992 deadline for a single European Community market.

Still shaken by last week's two major terrorist incidents – the bomb which killed five people outside an American servicemens' club in Naples, and the assassination of Senator Roberto Ruffilli – Mr De Mita's presentation to Parliament of his Government's policy programme laid heavy emphasis on the need for wholesale institutional and political reform.

After asserting that "the bandits" had no hope of winning, Mr De Mita argued that the Government and Parliament had lost their powers to take decisions and needed to overcome their double impotence.

"The one institution paralyses the other and internally each is paralysed by mechanisms of delay and veto," he said.

Stressing that the 1992 target for achieving the EC's internal market was at the heart of his programme, Mr De Mita warned: "We cannot remain in Europe with our institutional weaknesses, with an administration out of step with the continent, with uncontrolled public spending and an outrageous deficit."

He rejected the idea of a global plan for reforming public administration, promising that the Government would follow lines already set out in the 1988 Finance Act "encouraging productivity and efficiency, beginning with the services in direct contact with the citizen such as health, welfare, schools and transport."

The public deficit and the enormous stock of accumulated debt posed the greatest risk of "separating Italy from Europe," he said. This meant there had to be a multi-annual plan for balancing the budget so that debt was financing only investment spending and capital growth.

With this aim, his Government

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DENMARK'S COALITION SAILS INTO TROUBLED NATO WATERS

Prime Minister Poul Schlüter has called a snap election which may not resolve the issues, Page 24

Europe 'has not learned lesson' from Chernobyl

EUROPE HAS made dangerously little progress in nuclear safety since the 1986 Chernobyl explosion and new disasters may well happen in the next few years, a consumer group said yesterday, Reuter reports from Brussels.

"Two years after Chernobyl the situation in Europe can be summarised as follows – we are waiting and taking no action," the European Bureau of Consumer Unions (BEUC) said in a report.

"There is a 70 per cent probability of another catastrophe in 5.4 years and that there will be three more catastrophes between now and the year 2000," it added.

BEUC representative Mr François Lamy said the calculation had been made by scientific experts based on the frequency of serious and minor nuclear accidents in the past.

The Bureau, the European Community's leading consumer lobby, proposes 17 steps to improve nuclear safety, including setting up an independent EC body with full powers to inspect and supervise nuclear reactors and impose safety standards.

It recommends that the EC set stricter limits on the amount of radiation permitted in food, and demands the closure of ageing power stations and reactors without adequate containment buildings.

BEUC wants evacuation zones extended to 30km around all EC nuclear power stations, replacing existing zones as low as 2km.

It also demands a freer flow of information to the public, starting with a factsheet explaining the dangers of radiation.

W German steel makers' threat

THE WEST GERMAN steel industry said on yesterday it would go to the European Court of Justice to try to stop other European Community nations giving their steelmakers hidden subsidies unless the EC shows it is ready to act on the issue, Reuter reports from Hanover.

Mr Ruprecht Vondran, management board member of the West German Iron and Steel Industry Association, made the threat in comments to reporters at the Hanover industrial fair.

West Germany's steel industry, which is mainly private, says state-owned companies in Britain and Italy have been receiving state subsidies which violate EC policy.

Ambitious pulp maker is spearheading an export drive into the rest of Europe, reports **Diana Smith in Lisbon**

Portugal looks to paper profits from 1992

SMALL PORTUGAL has made a big name for itself on world pulp markets. It now exports 1.2m tonnes a year of short fibre pulp made by the nationalised Portucel and largely foreign-owned Soporcel (Wiggins-Teape), Celbi (Billerud) and Camia (Ibstock Johnson).

But paper, the logical sideline of a pulp industry, has until now been exported in only modest amounts. Producers have sold mostly on the small, steadily growing home market.

That is about to change. Soporcel, now four years old, is acquiring a paper machine with a 90,000 tonne annual capacity, looking to the world business paper market. Inapa, Portugal's largest paper manufacturer, is pumping Es10bn ($61m) into the biggest expansion in its 20-year history.

With current annual output of just under 70,000 tonnes, Inapa is going for 160,000 tonnes a year in 1991 when factory expansion and installation of its third and largest paper machine will be ready for the impact of the 1992 EC single market.

"We are sending out signals that Portugal can be a regular paper supplier to Europe," says Mr Vasco de Quevedo Pessanha, the young chairman of Inapa.

To harden sinews as a competitor to Spanish papermakers both at home and abroad, Inapa undertook a major overhaul late last year.

The Inapa (Industria Nacional de Papeis) group converted to a conglomerate controlled by a new holding company, Inapa Investimentos, Participacoes e Gestão (Investment, Holdings and Management).

The holding company controls the main paper mill, Papeis Inapa; Parel, a coated paper producer and exporter; Tecnipapel, a marketing company which leads the domestic copier paper market; Gespapel, a specialised papermaking services company; and a new venture, a small art publishing company.

The restructure, one of the first of its kind in Portugal, bred a group with consolidated assets of $80m and consolidated 1987 turnover of $62m, up 50 per cent on 1986. The group plans to finance expansion from its resources. Shareholders' equity now totals Es10.6bn ($62m) with working capital of Es2.5bn.

Among the keenest shareholders are 582 Inapa workers admitted to a shareowning scheme in 1982 and given bonus issues in 1986. Inapa put a few shares on the market in 1980 when it made another move that paid off handsomely.

This was as co-founder with 100 other forward-looking companies of the first post-revolutionary investment company, Sociedade Portuguesa de Investimentos (SPI), which became BPI (Banco Portgugues de Inveswstimentos), the first new private bank, and created a spin-off, Banco de Comercio e Industria (BCI), a commercial bank which Inapa also sponsored. They all flourished.

If setting up an investment company in a climate where few cared to invest was a brave move, so too was Inapa's worker-shareholder scheme. The Setubal peninsula south of Lisbon, where the company is located, is known for left-wing militancy.

The alacrity with which workers took up the offer, their stronger concern for company results and tenacity with which they clung to shares in 1987's wildly speculative stock market, suggests that pioneering has its perks . . . founded in 1965 as a growth-oriented company when Portugal had 500 tiny, ineffectual paper mills, INAPA exported – albeit in small quantities – from the start.

It bought or set up companies that broadened its range of products and began to lead the local business paper market.

The quantum leap to capacity of 160,000 tonnes a year will make Inapa the largest paper mill on the Iberian peninsula.

Aiming at becoming a big international name is still fairly rare for local industry, where the risks of 1992 are not widely understood and many old-style owners seem to hope government will shield them against future shock.

Mitterrand pledges action to reduce unemployment

FRENCH PRESIDENT François Mitterrand yesterday put the fight for jobs at the top of his agenda for the next seven years, but sought also to reassure investors of his commitment to the mixed economy, Reuter reports from Paris.

Writing in the daily newspaper *Le Monde*, Mr Mitterrand said: "I do not accept the idea that we can accept rising unemployment, or resign ourselves to the social divisions which it produces."

Mr Mitterrand, who is clear favourite for the first round of the Presidential election on Sunday, has seen unemployment increase by 780,000 since he took office in 1981.

The jobless total, at 2.58m or 10.5 per cent of the workforce in February, is the second-highest among the leading seven industrial countries, but this is down from the record 2.67m in March last year.

Right-wing Prime Minister Jacques Chirac, writing in the same newspaper, said the only effective way of fighting unemployment was to promote a more competitive economy.

Mr Mitterrand said the best way to create new jobs was to boost industrial investment and move rapidly towards the integration of European economies.

"The doctrine of everyone for himself, which has held up the development of European industry in strategic sectors until now, is no longer acceptable," he declared.

President Mitterrand identified the key to the problem as a surplus of savings in West Germany and a lack of investment funds in other European countries with growth potential, such as France.

He supported calls for the creation of a European central bank and said the European Currency Unit (Ecu) should become a reserve currency.

While pledging greater social justice, he reassured investors that he would not renationalise companies privatised under Chirac since 1986.

Sweden: 'Bofors row will not end defence sales'

SWEDEN WILL continue exporting arms, despite multi-million-dollar smuggling scandals that have rocked the country's weapons industries, Foreign Minister Sten Andersson said yesterday, Reuter reports from Stockholm.

Mr Andersson, speaking before a parliamentary committee, toned down the threat made by Mr Ingvar Carlsson, the Prime Minister, at the weekend that he would ban all arms exports because of illegal weapons sales to the Middle East and the Third World connected to the Bofors group.

"Ingvar Carlsson expressed the anger many feel, that arms makers don't give a damn about the laws of the land," Mr Andersson told the constitutional committee. The law prevents the sale of arms to potential trouble spots.

But he said Mr Carlsson's words about a possible ban had been over-interpreted and that the Government had never said it wanted a complete halt

Czechoslovakia merges government departments

CZECHOSLOVAKIA'S Parliament yesterday approved a reorganisation of federal ministries, the first big reshuffle of Government departments since the early 1970s, AP reports from Prague.

Three federal ministries - metallurgy and heavy engineering, general engineering, and electrotechnical industry - have been merged into a single ministry of metallurgy, engineering and technology.

Also merged are the ministries of communications and transport, while the state planning commission is to have a single head.

A government spokesman in Prague said the Government of Premier Lubomir Strougal was expected to resign today, which would give Mr Strougal a chance to appoint some new people if he chose. He is the longest-serving premier in Europe.

The super-ministry of metallurgy, engineering and technology will be headed by Mr Ladislav Gerle, a technocrat with managerial skills.

Strougal: new team

The changes in the federal Government had been decided at a recent session of the Communist Party's Central Committee.

Yugoslavia outlines package to cut inflation to 95%

BY ALEKSANDAR LEBL IN BELGRADE

YUGOSLAVIA, having reached agreement with the International Monetary Fund on a tentative standby credit, yesterday laid out an economic rescue plan which aims to curb soaring inflation while removing most price controls.

The package, detailed by Tanjug newsagency, calls for a target inflation rate of between 90 and 95 per cent, compared with 168 per cent last year. Some 60 per cent of prices will be freed on May 15, and another 10 per cent in November.

Implementation of the measures will depend on the success of Yugoslav negotiators in New York who are seeking to secure $1.41bn in fresh money. They are looking for $260m in long-term loans from the IMF, $150m from the World Bank, $500m from commercial banks and $500m from government creditors.

Yugoslavia's current foreign debt amounts to around $21bn.

Wage increases

Provided the target for inflation is not exceeded, wages will be allowed to increase by 139 per cent in the first half of this year, by 182 per cent over nine months, and by 119 per cent for the year as a whole.

Pensions will increase in line with wages. Wage increases above those averages will be allowed if the capital formation rate in a company exceeds the average for an industry.

The federal budget will not increase in real terms, while other budgets and collective consumption will be allowed to rise in line with the inflation rate minus 10 percentage points.

Bank lending will go up by 28 percentage points less than the inflation rate as long as the inflation target of 90-95 per cent is not exceeded. If it is, monetary and credit policy will be even more restrictive.

Linked to that, 40 per cent of imports (35 per cent from hard currency countries) will be liberalised, and allowed to increase by another 10 per cent next year. By 1990, most prices and imports would be free of state control, provided the Yugoslav economy can bear it.

The foreign exchange market is to be liberalised. From May 15, a lower dinar exchange rate will be fixed in conformity with the IMF accord, and thereafter the currency will be allowed to float.

Young asks Brussels for more time on R-R inquiry

BY WILLIAM DAWKINS IN BRUSSELS

LORD YOUNG, the British Trade and Industry Secretary, has asked the European Commission for a delay before he responds to its queries over the UK Government's decisions to limit foreign shareholdings in Rolls-Royce, the aero-engine maker privatised last year.

The Brussels authorities are unlikely to resist the request, lodged on the grounds that Lord Young needs more time to gather information from officials and from the company itself. He was due to have replied by last Friday to the Commission's demand for an explanation of how the 15 per cent limit on non-UK investment in Rolls-Royce could be justified under EC laws laying down that Community shareholders should receive equal treatment.

The dispute came to light when a number of foreign investors claimed they had been forced to sell Rolls-Royce shares at a loss, though they have not sent a formal complaint to Brussels. The UK Government argues that it is acting within its rights under EC laws allowing it to set such restrictions to protect national security. Half of Rolls-Royce's sales are in defence equipment.

Commission officials are understood to accept the principle of the UK's right to protect Rolls-Royce, but are not convinced that the British Government is justified in choosing a 15 per cent foreign investment limit as the means to guard the company's military secrets. If they are not persuaded by Lord Young's response, they have the right to ask the UK to lift the foreign investment ceiling, a move which could call into question the terms of other privatisation issues.

UK reinforcing role in Denmark at risk, says Howe

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN THE HAGUE

BRITAIN WARNED yesterday that it would not be able to carry out its Nato obligation to reinforce Denmark's defences, if the Danish Parliament's resolution banning nuclear weapons on visiting naval vessels remained in effect.

Sir Geoffrey Howe, the British Foreign Secretary, said after a two-day meeting of the seven-nation Western European Union here that the UK had a long-established policy of neither confirming nor denying the presence of nuclear weapons on particular British vessels. "Any arrangements conflicting with that policy would make it impossible for Her Majesty's ships to visit Danish ports."

Mr George Younger, the British Defence Secretary, explained that the implementation of the parliamentary resolution would cause great practical difficulties because Britain was committed under Nato arrangements to reinforce Denmark's defences with the 13,500-strong UK mobile force. The bulk of these troops would normally be transported by sea.

The problem of nuclear arms is very much in the forefront of WEU concerns, given the possibility of Spain's membership and its reservations about nuclear defence.

As expected, the ministers yesterday gave the green light to the opening of exploratory talks with Spain and Portugal "with a view to their possible accession."

The language in which the invitation to the two Iberian countries was couched was appropriately cautious. For there are real doubts in member governments' minds about Spain's capacity to fulfil the conditions of membership, notwithstanding Madrid's formal declaration that it is prepared to accede both to the Brussels Treaty and the Defence Platform adopted by WEU ministers in The Hague last October.

Spain and Portugal will both have to accept explicitly the provision in the treaty that any attack on a member state involves an automatic obligation by other members to come to the assistance of their partner. However, most difficult of all for Spain will be to subscribe to those parts of the Defence Platform calling for a common defence effort in both the conventional and nuclear fields.

No such difficulties are foreseen in the case of Portugal, which, unlike Spain, is a member of Nato's integrated military command and does not have the same nuclear reservations as Madrid.

Spanish minister to visit Britain

SPANISH Defence Minister Narcis Serra will visit Britain on Friday for talks on the Eurofighter project and Spain's proposed membership of the Western European Union (WEU), Reuter reports from Madrid.

Spain yesterday accepted the WEU's invitation to join the seven-member defence organisation.

A British Embassy spokesman said Mr Serra would hold talks with Mr George Younger, Britain's Defence Secretary, on several projects including the Eurofighter warplane that Britain, Italy, Spain and West Germany want to develop in the 1990s.

Risk of financial upheavals 'diminished'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE MAIN industrial countries have a reasonable chance of preventing a repeat of last autumn's upheavals on financial markets but must strengthen co-operation in exchange markets, in monetary and fiscal policies, a leading European official said yesterday.

Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements, said he believed the risks of renewed turbulence "have substantially diminished but that they have not disappeared".

Delivering the Roy Bridge Memorial Lecture in London, Mr Lamfalussy said there were several reasons for cautious optimism. The dollar's fall had restored the competitive position of US industry; economic growth in surplus countries, particularly Japan, had accelerated; and the world economy as a whole had shown itself remarkably resilient in the face of October's crash.

He also took issue with suggestions that investors overseas would necessarily be unwilling to finance large US current account deficits as trade imbalances were only gradually eroded during the next few years.

Although the proportion of dollar assets in overseas portfolios had risen sharply in recent years, it remained relatively small against the overall stock of financial assets. The process of liberalisation of financial markets would continue to add to demand for dollar assets as would the relatively high level of savings in surplus countries.

Governments, however, would have to fulfil two conditions to ensure the financing would be provided without a rise in US interest rates or a further fall in the dollar's value.

First, they must pursue and be seen to pursue fiscal policies which point to a credible reduction in trade imbalances. Secondly, they must be live up to their commitment to stabilise the dollar by co-operation, not only in foreign exchange markets but also through monetary policies.

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US to stop supplying surplus military equipment to Turkey

BY JIM BODGENER IN ANKARA

TURKEY WILL not receive surplus US military equipment from this year outside the formal Defence and Economic Co-operation (DECA) Agreement, the US Assistant Defence Secretary, Mr Ronald Lehman, said here yesterday at the and of week-long defence talks. He described the Southern Region Amendment through which Turkey receives surplus US military material as an "imperfect tool".

Weapons and equipment surplus to the US military inventory supplied under the Amendment have been portrayed as making up for shortfalls in US military assistance. In recent years, the US Congress has cut the DECA back, mainly for budgetary reasons and against strong protest from Ankara.

However, the Amendment allows the US Administration to bolster forces on Nato's south-east flank with surplus material without needing specific Congressional approval. The supplies were influential in persuading Ankara to ratify a letter extending the DECA for another five years from 1985, after two years delay by Turkey in protest at the cuts, and anti-Turkish sentiments in Congress.

Turkey has already received hundreds of millions of dollars worth of weapons and equipment on two previous lists drawn up under the Amendment. These have included 40 Phantom F4E fighters and frigates. But because the *US Defence Department's* budget is itself under review, it is not certain yet what material will be surplus to the US military's inventory in future – and the equipment must be certified as excess before qualifying under the Amendment.

Non-oil growth helps Norway lift exports 8%

By Karen Fossli in Oslo

NORWAY'S exports increased by more than 8 per cent in 1987 to NKr144.7bn (£12.36bn), helped by strong growth in the export of non-oil commodities, according to the latest figures from the Central Bureau of Statistics and the Export Council of Norway.

Export of traditional commodities, excluding petroleum, drilling rigs and ships, surged ahead by 17 per cent to draw record income of NKr81.1bn.

The increase in exports helped cut the country's current account deficit by NKr5.1bn to NKr27.7bn in 1987.

Price fears prompt call for higher Finnish tax

By Olli Virtanen in Helsinki

AN INCREASE in Finnish income tax and duties in order to ensure a balanced economy and reduce signs of overheating has been urged by the country's Finance Ministry.

In addition to a "temporary" increase in income tax, the Ministry proposes rises in alcohol and tobacco duties, as well as a new "charter tax" for package tours abroad.

The proposal is in contrast to current plans to lower Finland's high marginal income taxes. The right-left coalition Government is still at odds over how much to cut from the highest tax brackets.

The Finance Ministry bases its recommendations on the mushrooming balance of payments deficit and inflationary wage agreements earlier this spring. Consumer prices are expected to rise by 5 per cent this year compared with 3.7 per cent in 1987.

Finland's cost competitiveness will decrease, according to the Ministry, and will translate into slower growth of exports to the West. However, gross domestic product is estimated to grow faster than the 2.75 per cent forecast by the OECD.

The ministry says domestic consumption must slow down in order to solve the problem of increasing imports and lopsided balance of payments.

● Two Finnish businessmen, alleged to have sold sophisticated Western computer technology to the Soviet Union, have been charged with treason in Helsinki.

Finnish officials refuse to detail the charges but they are understood to be based on the sales of the VAX750 computer system and some 20 other pieces of computer technology to Moscow. The base of the charge is that illegal sales of Western technology to East bloc countries could jeopardize Finland's relations with the West.

It is claimed that the computers were first sold by Digital OY, their Finnish importer, through another Finnish company to the consultancy firm owned by one of the accused. The buyer is alleged to have signed documents promising not to sell the equipment to foreign powers.

The consultancy company is said to have shipped the computers to Moscow in 1986 ostensibly to an export exhibition but never brought them back. The two businessmen have denied all charges against them.

Tide of foreign money floods into Portugal

BY DIANA SMITH IN LISBON

HIGHER ECONOMIC growth and a simpler bureaucracy prompted by membership of the European Community continue to attract foreign investment to Portugal

In the first quarter of this year, new direct foreign investment tripled compared with January-March 1987, to Es27.87bn (£108m). In the same period of last year an unprecedented Es9.3bn entered Portugal, where for years foreign investment had trickled in at less than $100m a year.

So far this year more foreign investment has gone to services, especially banking and tourism, than industry. This does not entirely please officials, who see foreign investment in industry as essential to technological innovation and diversifying products and markets.

However, freer rules imposed by EC membership mean that Portuguese bureaucrats can no longer try to push foreign investment into areas of their, rather than investors' choice.

British investment in property has soared despite red tape which slows import licences for property-related funds, to the frustration of investors, buyers and lawyers who handle the transactions. After a long period when the UK and Spain dominated new foreign investment, France and West Germany are catching up.

Meanwhile, increasing acquisitions of Portuguese companies by EC investors are worrying some members of the centre-right Government. There is some fear that acquisitions may create a nationalistic backlash which could jeopardise government plans to privatise nationalised industry.

● The ruling Social Democrats (PSD), who hold 183 of the 250 seats in Parliament, but need two thirds of the deputies to approve changes in the Marxist-oriented 1976 constitution, has formally invited leaders of the Socialists, Portugal's second largest party, to discuss constitutional reform.

Smoothly-negotiated constitutional reform is vital to tha streamlining of Portugal's over-centralised economy. Unless the Government can find consensus, the political and bureaucratic obstacles to privatisation and freer function of private enterprise introduced in the 1976 constitution, will stay in force for another five years, retarding Portugal's progress.

Sweden seeks to accentuate the Positive

BY SARA WEBB IN STOCKHOLM

IF THERE'S one thing the Swedes seem to spend a lot of time thinking about, it's their image overseas. They even have a special term for this – the *Sverigebild*, or literally, the picture of Sweden. Every now and again newspaper columnists and politicians broach this subject, especially if they want to make the point that Swedes should pull their socks up and show a better side to the outside world.

Events over the past couple of years have not, it must be said, done wonders for Sweden's image overseas.

What with the tragic (and still unsolved) assassination of Prime Minister Olof Palme and the escape from prison of the country's top spy, Swedish attempts to enforce law and order have come in for a lot of criticism for their breath-taking incompetence.

Added to this, the revelations that Swedish weapons companies secretly sold arms to the Middle East and other out-of-bounds countries have certainly destroyed Sweden's image as a peace-loving country and the moral yardstick for the rest of the world. This is especially so since one of the weapons companies involved is state-owned, leading to suspicions that the Government knew what was going on.

"These activities have blemished Sweden's name and reputation abroad," wrote Under-Secretary Carl Johan Aberg in an open letter to Aftonbladet, the union-controlled evening paper, last week. At a recent dinner, a managing director stood up and addressed his audience with the words: "I doubt many of you are proud to admit you are Swedish when you go abroad these days."

Foreign readers might wonder what all the fuss is about: after all, Austria and Israel have far more to worry about when it comes to their image.

But the Swedes seem particularly sensitive to outside opinion and, in a rather masochistic manner, appear to lap up criticism. But to be fair, they are heavily dependent on their export industries and cannot afford to earn a bad name. This is one reason why certain organisations here are now trying to spruce up the country's image abroad.

Swedish indnstry has decided to capitalise on a little-known aspect of history in order to promote Swedish interests in the US. Back in 1638, Sweden founded a colony on the Delaware River called New Sweden which it believed would further its commercial interests.

This year, which is the 350th anniversary, has therefore been declared New Sweden Year: Sweden'e King and Queen are currently on tour in the US and various exhibitions and lectures have been organised to promote Swedish goods in the US and rectify certain misconceptions.

For, galling as it may be for the Swedes, research suggests that few Americans appreciate that their Volvo car is made in Sweden and, equally worrying, the Swedes found that Americans today know less about Sweden than they did 10 or 20 years ago.

An organisation called Positive Sweden, which was set up three years ago to try to promote Sweden's image, found that foreigners knew quite a lot about Swedish women and tennis players (the latter, thanks to Bjorn Borg), and that they believe Swedes to be very healthy. More surprisingly, a lot of them had heard of Swedish cheese, though Positive Sweden believes this could be a mix-up with Switzerland.

In the eyes of a foreigner living in Sweden, there are in fact plenty of positive things which can be said about the country (or at least most parts of it). Unemployment is very low, the streets are clean and safe to walk on late at night, there is almost no extreme poverty and the welfare system is generous, although not entirely problem-free. The health service is currently feeling the consequences of staff shortages which mean queues for certain operations.

Generally speaking, the standard of living is high, the economic picture sound, and Swedish businessmen have a reputation for honest practices and sonnd management (though the former attribute took a knocking from the Fermenta scandal). Immigrants are treated well by the state and even if some of them find it difficult to adapt to the Swedish way of life, racial problems of the kind seen in the US and Britain are practically non-existent.

The ruling Social Democratic Party, which faces an election this September, has started its own image-building programme on the home front. It recently launched an advertising campaign which implied that good Swedish citizens should abandon the egoism of the 1980s, and should not accept the possibility of freedom of choice given by private alternatives to the state-run health and child care services.

The fact is that in some parts of the country, parents cannot send their children to day-centres because there are not enough places. There are parents who would choose to send their children to a private alternative, in some cases because they are suspicious of what they see as political indoctrination at these centres.

Needless to say, most of these images of Sweden are not being promoted in the US as they are quite out of kilter with thinking there. Positive Sweden has chosen to emphasise Swedish quality, management concepts and honesty and tourists flying between the US and Sweden can expect to be shown such images of Sweden on screen as a Volvo car, Mats Wilander, and – strangest of all – a bottle of Absolnt Vodka.

For as anyone who has spent more than 10 minutes in Sweden will realise, Swedes in their own country are not allowed to regard alcohol as a positive thing and the state (which has a monopoly on liquor sales) does much to discourage the imbibing of spirits – chiefly by making them as expensive and difficult to obtain as possible.

Consumption of alcohol is tantamount to a cardinal sin and cannot be advertised. But then, that is probably an aspect of life here which the Swedes would not like foreigners to know about.

European Diary

Sweden

Poland marks anniversary of ghetto uprising

By Christopher Bobinski in Warsaw

JEWS FROM ALL over the world yesterday gathered at the foot of the monument to the fighters in the Warsaw ghetto rising 45 years ago who resisted the Nazi attempt to transport the surviving 70,000 inhabitants to death camps nearby.

The crowd heard Mr Itzhak Navon, the Israeli Deputy Premier call the rising a "miracle" and urge Jews to "increase their numbers everywhere and strengthen the only Jewish state in the world, Israel."

Prayers for the dead were said and young Israelis sang their national anthem in a ceremony crowning anniversary celebrations lasting almost a week.

The Polish authorities were responsible for organising the events commemorating the 350,000 murdered inhabitants of the ghetto. The ceremonies formed part of a drive to improve Poland's image among world Jewry and marked an intensification of relations with Israel.

Hungary lashes Romania human rights record

BY JUDY DEMPSEY IN VIENNA

ROMANIA'S HUMAN rights record, in particular its treatment of the national minorities, was criticised sharply yesterday at the Vienna follow-up meeting of the Conference on Security and Co-operation in Europe (CSCE) by Mr Andre Erdos, the Hungarian ambassador to the conference.

In one of his most critical speeches to date, Mr Erdos indirectly accused Bucharest of forcibly assimilating the 1.7m-strong Hungarian minority – Europe's largest ethnic minority – who live in Romania. Although he did not name Romania specifically, he listed a number of regulations which were recently introduced by the authorities there.

Newspapers belonging to certain minorities were no longer allowed to publish the names of towns and villages in their mother tongue, he said. He also cited the destruction of cemeteries of the minorities, the relocation of minorities from small settlements to large towns, and the continuing suppression of the cultural rights of the national minorities. All this, Mr Erdos said, amounted to a serious "violation of human rights."

In the past, it would have been highly unusual for any ambassador of a Communist country to criticise another. But at the CSCE and in Hungary, Hungarian officials are now no longer prepared to remain silent, particularly since they are faced with a growing exodus of ethnic Hungarians from Romania who are seeking asylum.

AMERICAN NEWS

Teachers in Argentina suspend strike

By Tim Coone in Buenos Aires

ARGENTINA'S teachers return to work today after a Labour Ministry ruling that their six-week-old strike must be resolved by compulsory arbitration.

The strike has been unprecedented in the country's public sector, particularly because the teachers have not traditionally been at the forefront of national strike action. Neither are their leaders identified with the traditional Peronist blue-collar trade unionists.

Ms Mary Sanchez, the secretary-general of the teachers' union CTERA, warned yesterday that the strike's suspension was only a truce and that industrial action would be renewed if no advance was made during arbitration.

The teachers have been demanding a unification of pay scales throughout the country, with a basic minimum of Aus 770 ($110) per month. The Government for its part, while recognising that teachers are poorly paid, has said that it lacks the resources to satisfy the claim.

At the weekend, however, President Raul Alfonsin met Mr Antonio Cafiero, the Peronist opposition leader, to discuss possible new tax measures in order to increase teachers' salaries. One probable new measure will be to tax income on government bonds, of which there are now some Aus 7bn to 8bn in circulation.

El Salvador polls protest

EL SALVADOR'S right-wing Arena party filed a protest on Monday with the Supreme Court claiming the Central Elections Council wrongly deprived it of a majority in the National Assembly, AP reports from San Salvador.

A complaint filed by the Republican Nationalist Alliance, (Arena), said the council should have allotted it 31 of the 60 seats.

The council's final decision on the March 20 elections gave 30 seats to Arena and 23 to President José Napoleon Duarte's centrist Christian Democratic Party.

Commuters stampede to attack Al Gore

BY STEWART FLEMING IN NEW YORK

SENATOR Al Gore was getting distinctly mixed reviews as he stood outside Pennsylvania Station in Central Manhattan at the peak of the rush hour yesterday, the morning of the New York Presidential primary.

A few patient souls who had had a good night's sleep or an easy commute into the city's busiest railway terminal filed past cheerily muttering "Good luck Al", shaking his hand or even potting an avuncular arm around the 40-year-old Democratic presidential candidate's shoulder.

But not all New Yorkers welcome the new day with a song in their hearts – least of all when they are frantically trampling over each other to get to the office.

"It's all bullshit – you should see what's going on down there," one brooding soul cursed as he passed the attendant camera crews and reporters. "There are hundreds of people stuck down there fighting to get up the escalators. . . I'm serious," he shouted indignantly. Ho began to weave his way across Seventh Avenue, convinced, as most New Yorkers are, that the rest of the citizenry has no idea what dangers are lurking just around the next corner, or for that matter, how nearly they escaped disaster coming around the last one.

A human traffic jam stretching back into the bowels of Penn Station gradually accumulated at the bottom of the escalator while the happy souls at the top were wishing Al good luck. "He's not getting my vote if I get fired. It's Al Gore's way of making me late for work," muttered one surly young man.

"Do you think this is helping him get elected ?" a world-weary young woman is asked. "Sure," she replies, the sarcasm oozing out all over the elongated vowels. "If he ain't going to talk there's no point staying," says another.

"Look what you are doing to the commuters. You don't care a damn except for the Jewish voters," a young black woman shouts in the direction of the senator from Tennessee.

Many people believe that Al Gore entered the election race this year not so much because he seriously expected to win. With his eyes on 1992's presidential election, they believe he wanted to try to get ahead of the Democratic pack and learn the ropes. In New York Mr Gore, who bears an uncanny resemblance to Superman and has a reputation for being something of a Boy Scout, has certainly been given an education.

Mayor Ed Koch for example, has embraced him, endorsed him and probably exploited him. By seeking Mayor Koch's support, Mr Gore has allowed himself to be dragged into one of the most vulgar and divisive racial confrontations between top politicians even this city has witnessed – the mayor's venomous vendetta against the Rev Jesse Jackson.

Mayor Koch was at it again this week, calling Mr Jackson "a liar who isn't fit to be President," prompting Mr Jackson to respond that he has never had as many death threats as he has received in the past two weeks.

"Koch is a lunatic. He's a lunatic by New York standards," said Mr Jackson's campaign manager, Mr Gerald Austin. Mr Austin is, like the mayor, a Jew, and therefore by Mr Koch's standards has to be crazy even to vote for the black preacher, never mind work for him.

Mr Gore courted Mayor Koch's support, anxious for the Jewish votes he needs if he is to get to the 20 per cent mark that his financially stretched campaign needs to qualify for Federal matching funds.

There are signs, however, that Mayor Koch's virulent anti-Jackson campaign has helped to polarise New York's electorate in advance of the 1989 mayoral election. The headline in yesterday's tabloid Daily News read: "Jackson backers to Koch: We'll get even in '89."

Jackson with Flavor Flake of the pop group Public Enemy and Ecstasy of Whodino at a fundraiser

Amnesty highlights killings in Colombia

By Robert Graham, Latin America Editor

AMNESTY, the international human rights organisation, today begins a campaign to highlight what it describes as a human rights emergency in Colombia.

Colombia has the highest ratio of killings for any country not at war and Amnesty is concerned that insufficient attention is being devoted to violence carried out by elements of the security forces or civilians under their protection.

In a report published today, the organisation says: "There is convincing evidence that the Colombian armed forces have adopted a policy of terror, designed to intimidate and eliminate opponents without recourse to law."

Amnesty says that since mid-1987 threats and killings by death squads have extended "far beyond left-wing opponents of the Government". Last July and August hit lists began to circulate along with a new wave of killings that extended to students, university lecturers, artists, journalists and human rights activists.

Last year, for instance, 15 members of the Colombian Human Rights Committee received death threats, four were murdered, one "disappeared" and five were forced to flee the country. Trade union activists have seen especially threatened, with 31 persons being murdered last June after a single strike.

The report says the Liberal government of President Virgilio Barco has blamed the political killings on death squads, "mysterious gunmen the authorities describe as civilians they can neither identify nor control". But Amnesty insists case studies demonstrate the death squads involve members of the police and armed forces, none of whom have been prosecuted.

The report largely ignores the internal complexities of Colombia's violence, which is also fuelled by a long-standing guerrilla insurgency and the existence of the all-powerful drug mafia.

The Government has been singularly unable to bring to book those responsible for the murder of its own officials, including Mr Carlos Mauro Hoyos, the attorney-general, who was assassinated in January.

Tim Coone reports that as the ceasefire takes effect, thoughts are turning to the coming election battle

Economic failure haunts triumphant Sandinistas

"IN Managua by Christmas," was one of many ambitious boasts made by the Nicaraguan Contras back in 1983 when US funds started flowing generously, thus escalating the war against the Sandinista Government.

When the Contras finally returned last Friday, it was not as a triumphant army. They came to the Nicaraguan capital to negotiate a definitive end to the six-and-half-year-old conflict, uncertain of continued US support and seeking the best conditions possible to transfer their fight from the military to the internal political arena.

With imminent US elections and the US Congress tired of perennial appeals for aid and little to show for it but political embarrassment, the Sandinista assessment of the Contras is that they are at the end of the road.

According to one senior Sandinista party official: "Even assuming the worst of cases, namely a victory for George Bush in the November elections and a renewal of military aid to the Contras in the short term, Bush does not have the charisma to maintain the momentum of the policy pursued by Reagan.

"The Congress is divided on the issue, and Nicaragua's efforts to reach a peace agreement has brought us support from around the world and isolated the US. The same policy cannot continue for long even with Bush in the White House."

While the Reagan Administration appears to have been denied its aim of seeing the Contras oust the Sandinistas, it is still not clear whether peace and elections will succeed where weapons have failed.

According to Mr Dionisio Marenco, until recently the key figure behind the Government's economic planning and now head of the party's publicity and propaganda machine, the cost of confronting the US has been high for Nicaragua.

"Our defeats have been economic ones, while our victories have been on other fronts." He said the attrition of the war and over-ambitious plans in the early years of the revolution have led to crippling levels of inflation.

If the war continues, he said, "it would be an illusion for me to say that we could carry on much longer with things as they are. The country would have to adopt a different form of organisation to survive... eliminating most of the service sector and concentrating on producing food."

Both sides had good reasons for reaching their breakthrough agreement on a ceasefire two weeks ago as the basis for a broader peace agreement. The Contras want to avoid a possible humiliating military defeat as the US commitment to them dwindles. They also want to seize the possibility of a general amnesty and fight a political campaign on economic issues, the Government's Achilles heel.

The ruling Sandinista party, the FSLN, for its part needs to end the war to reactivate the economy, deterioration of which has eroded its base of support amongst the rural and urban working class - a fact openly admitted by government officials.

Despite this week's apparent lack of progress, the peace talks are set to resume on April 28.

As Mr Agustin Jarquin, the secretary general of the opposition Social Christian Party (PSC) said: "Until now the military front has been the principal focus of opposition to the Government. But now the politicians are going to be the main protagonists."

The PSC, which is internationally linked to the Christian Democrat movement, is generally considered to be one of the best organised opposition parties in Nicaragua with a substantial base of support and well-organised party machine, with the best chance of mounting a right-wing challenge to the FSLN.

But despite that, Mr Jarquin also recognises the opposition's weakness and believes that the FSLN will continue to hold the reins of power for some time to come.

"We still do not have the organising capacity to channel the level of discontent that exists with the Sandinistas," he said. For the upcoming elections at municipal level and for the Central American parliament, due to be held later this year, his party will require some 20,000 militants to man all the polling stations around the country, which Mr Jarquin admits is impossible.

To the left of the Sandinistas, Mr Carlos Cuadra, a deputy in the National Assembly for the Marxist-Leninist party MAP-ML, is also busy organising his party for the upcoming battle for hearts and minds.

He has long predicted that the FSLN would eventually negotiate with the Contras. "They have left themselves no other alternative," he claimed, pointing to the dire economic situation and extensive privileges that exist for the private sector. But he added that the FSLN had also recently begun making approaches to the MAP-ML with a view to electoral alliances.

The Sandinista Government thus seems to have calculated well the potential price of peace and the political concessions it has made to bring the Contras to the negotiating table and achieve a ceasefire. It remains to be seen whether it has done its economic sums as well.

Wide gap remains in Managua over terms for peace

Nicaragua's Sandinista government and the US-backed Contras have agreed to resume peace talks on April 28, but the gap between the two sides over peace terms remains wide, writes Charles Castaldi in Managua.

The first round of talks held in Managua ended inconclusively on Monday. Both sides appear set on diametrically opposed positions over the so-called "democratisation" of Nicaragua. The Sandinistas insist that political issues should be dealt with after the Contras commit themselves to a permanent ceasefire. But the Contras contend it is too risky for them to begin entering ceasefire zones until they have some solid commitment from the Sandinistas that they will dismantle their "totalitarian machinery".

The head of the Contra delegation, Mr Adolfo Calero, expressed some cautious optimism in spite of the lack of results. "I would say that the fact we have agreed to meet again after four days of talks is a sign there has been some success," he said. Mr Calero also announced the Contras would shortly release all Sandinista prisoners.

Gen Humberto Ortega, who headed the Sandinista delegation in the talks, said the major obstacle to progress in the talks was the unwillingness of Col Enrique Bermudez, the top Contra military commander, to participate in the peace process.

WORLD TRADE NEWS

Caution urged on plan to cut tariffs in Australia

BY CHRIS SHERWELL IN SYDNEY

THE intense debate in Australia on protective tariffs and quotas to help domestic industry sharpened further yesterday as the Confederation of Australian Industry (CAI) weighed in with pleas against across-the-board cuts in assistance.

Pointing to a specially-commissioned 165-page study, it said such cuts would not serve the country's longer-term interests because they would mean big job losses. Policies should instead be directed at reducing costs and removing impediments to efficiency.

The CAI's move came ahead of the Government's long-awaited mini-budget, which is expected next month to put in place some of the micro-economic reforms for its moch-vaunted structural adjustment programme.

These reforms range over corporate and personal taxes, deregulation of the air, rail, road and shipping sectors, reform of Telecom Australia, privatisation of government agencies and reform of the education system.

Each is highly sensitive, but tariffs and import quotas are particularly so because they have been part of the Australian industrial scene since the country's six states united in a federation at the start of the century.

The GAI said yesterday that the study by the National Institute of Economic and Industry Research showed that a 25 percentage point across-the-board cut in industry assistance would mean 53,000 people losing jobs.

On the other hand, employment could be increased by 124,000 by improvements in overall competitiveness. These could be achieved through the removal of restrictive work practices, a lowering of transport, energy and communication costs, and reductions in government regulations, taxes and business charges.

However, according to the Government's Bureau of Agriculture and Resource Economics, general reductions in tariffs and other forms of assistance would help the vitally important farm and mining sectors.

It argued in a paper published in February that the removal of tariffs for the motor vehicle industry and the textile, clothing and footwear industries would increase real net returns to agriculture and mining by more than 8 per cent.

Last week it saw some results, well ahead of the mini-budget: the Government abolished quotas on imported cars and lowered tariffs from 57.5 per cent to 45 per cent, with a further fall to 35 per cent by 1992.

Speedy action on textiles, clothing and footwear is less likely, not least because it is politically more sensitive. Yesterday the industry's representative body said any general cuts in assistance would seriously damage confidence in the industry's planned schedule of reductions.

US worried over mixed credits for exports

By Peter Montagnon, World Trade Editor

THE US is still concerned over the proliferation of mixed credits in export finance and has raised the matter with the Development Committee of the World Bank, Mr John Bohn, Eximbank president, said in London yesterday.

"Right now there are discussions in the Development Committee to see whether we can't get agreement on an appropriate use of aid-type funds," he told journalists.

The talks were in their early stages, the subject was controversial and the outcome remained uncertain, but there was concern that using aid to sweeten export credits led to aid budgets being diverted away from the poorest countries, he said.

Mr Bohn was in London to address a conference on African debt sponsored by the African Development Bank and the Financial Times.

He made it clear that last year's agreement among OECD members to discourage mixed credits by making them more expensive to donor countries had not yet had the desired effect.

Some countries had simply increased their aid budgets while there had been some "really egregious violations" of OECD rules involving non-notification and "fuzzy" notification of mixed credits.

Ho noted that the second stage of the OECD agreement on mixed credits had yet to be implemented, making mixed credits still more expensive to donors from July.

Scheherazade Daneshku reports on Tehran's reaction to Britain's stance on the Gulf war

Politics take their toll of trade with Iran

"BUY British last," the Iranian Government told importers recently in what is believed to be an unprecedented move by that country against a single supplier.

France, whose relations with the Iranian Government have been as badly strained, has in fact suffered a comparable decline in exports while Italy has overtaken the UK in the past two years as a supplier to Iran. West Germany and Japan, meanwhile, have experienced a much lower decline in their exports.

A further steep decline in exports seems inevitable in 1988. Their value in 1987 fell by nearly £100m to £308m, down by almost a quarter for the third year in succession. Britain last year imported £137.8m worth of oil and related products and £18m in manufactured goods from Iran.

Quite apart from Iran's shortage of foreign exchange, there can be no doubt that sagging UK sales have reflected political tensions and some companies are known to have re-routed goods destined for Iran through other West European countries. Relations were downgraded last May following tit-for-tat expulsions of diplomats which left the UK and Iran with only one accredited representative apiece in each others' capitals.

Subsequently, the UK's strong support for the US naval presence in the Gulf and British efforts to get agreement on a UN Security Council arms embargo against Iran have soured relations further.

Another consideration has been the appreciation of sterling against the dollar. According to a senior official at one Iranian bank purchasers have found British goods expensive even compared to those available from the Japanese, who have been prepared to make concessions.

Iran has attempted to shift its trade away from the West for both political reasons and practical considerations. Member states of the Organisation for Economic Co-operation and Development still account for 64 per cent of Iranian trade but commercial ties with the developing world have grown relatively stronger over the past few years.

Tehran favours oil barter arrangements and it has reached bilateral trading agreements with Brazil and Bangladesh as well as a number of East European states.

The popularity of such deals is likely to increase, especially in the wake of the US oil embargo and in the face of foreign exchange shortages. Iran earned $10bn in foreign exchange last year, compared with no more than $5.5bn in 1986 and about $13bn in 1985. At the end of last year Mr Mir-Hossein Moussavi, the Prime Minister, acknowledged the seriousness of the problem, saying that priority would be given to defence requirements, essential goods and production in-puts.

Outside the defence sector industrial productivity has fallen. Iran is particularly dependent on imports for consumer goods such as motor cars and textiles which have been badly squeezed.

In the late 1970s and 1980s Talbot was the single biggest UK exporter with contracts worth £150m a year for the supply of kits to make the Peykan, the Iranian version of the Hillman Hunter. The company says that one of the best years was after the revolution in 1982.

From 1984 onwards, however, orders for the kits – for which Iran is the sole market – became spasmodic, leading to high overheads and management difficulties for the company. An oil barter deal was tried but abandoned because of the volatility of the market. Talbot's trading relationship with Iran has effectively ended since its contract ended nearly a year ago.

By contrast, companies involved in process industries and engineering continue to enjoy good business. Foxboro, though being the subsidiary of a US company, it has a strong business involvement with Iran, in particular regarding an oil and gas refurbishment programme vital for the maintenance of Iran's production and export facilities.

Iran's main imports include food, machinery and chemicals. ICI is maintaining a low level of trade, consisting mainly of pharmaceuticals and agrochemicals, worth about £10m a year. The company says this is low because of Iran's shortage of foreign exchange and the weak dollar. But ICI and other companies believe that the situation would change if relations between Iran and UK improved.

Despite the diplomatic strains British policy remains that normal civil trade should continue.

UK rules issued in 1985 forbid the sale of items which might prolong or exacerbate the Gulf conflict. Export licenses are required for goods which could be used in the war effort.

The Export Credits Guarantee Department offers short-term cover to exporters for 180 days and will extend this in some cases to 360 days. The arrangements are subject to payment being secured by an irrevocable letter of credit. ECGD raised its insurance premium this year from one quarter per cent to 5 per cent. A spokesman for one company engaged in selling engineering products to Iran said that the increase had to be absorbed in the price of his goods, which would make him uncompetitive with West German or Japanese rivals.

The ECGD is not prepared to comment on the increase. One senior executive at a major UK bank said that it could derive from the outstanding insured credit dating from the revolution which he estimated at a total £100m. Otherwise he could see no economic basis for the rise because the Iranian central bank continues to enjoy total credibility by honouring payment obligations.

Greece accepts $1.2bn W German frigate bid

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE HAS decided to upgrade its naval force with the $1.17bn (£616m) purchase of four West German-made frigates. The purchase is the navy's first big outlay since the late 1970s, when it bought two Dutch-built frigates.

The West German offer was selected as the "most advantageous" over British, US, Italian and Dutch bids.

According to the state news agency, the purchase of the four Meko-200 vessels, made by Bohm and Voss is to be offset hy DM450m (£143m) in West German military grant aid, 75 Leopard tanks valued at DM250m and 28 F-104G fighter aircraft with spare parts worth DM100m.

The first frigate will be built in Germany, it was reported, and the three others in Greece after technicians have been trained.

The pro-Moscow Communist Party of Greece called on the Government to cancel the frigate purchase on the grounds that it served Nato military goals rather than actual Greek defence needs.

Seoul urged to remove barriers

BY MAGGIE FORD IN SEOUL

BRITAIN welcomed South Korea's efforts to liberalise its markets to foreign imports, but urged Seoul to get rid of hidden barriers, Sir James Cleminson, chairman of the British Overseas Trade Board, said yesterday.

He said it was in Sonth Korea's interest to increase business with European countries, especially in the field of technology transfer.

Dumping fines for Japanese companies

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN Community member states have confirmed that five Japanese electronics companies based in the EC - four of them in Britain - should pay punitive fines for trying to circumvent anti-dumping levies.

The decision, rubber-stamped by a meeting of Community Finance Ministers, is the final stage in the first application of a controversial EC trade defence law.

It aims to discourage foreign companies from setting up basic assembly plants in the EC, supplied by dumped components, as a way of avoiding having to pay dumping levies on fully assembled exports.

Japanese industrialists have warned that if applied harshly, the legislation could discourage them from new investment in the Community. Their EC competitors, however, argue that underpricing puts their own job creation prospects at risk.

Ministers agreed without debate to accept the Commission's ruling on the five companies, four electronic typewriter makers and a producer of electronic weighing scales, issued last month.

The typewriter companies involved are Canon in Brittany, France, which is to pay a duty of Ecu 44 (£30) per unit; Matsushita in Wrexham, UK, which is to pay Ecu 40.94; its neighbour Sharp, also in Wrexham, to pay Ecu 21.82; and Silver Reed in Watford, Ecu 56.14. Preston-based TEC (UK), the weighing scale producer, is to be charged Ecu 65.63 per unit.

The fines are in line with the duties already being charged on assembled EC imports and are supposed to hridge the gap between what the Commission argues are artificially low European prices and their sales prices in Japan. They will become payable in the next few days, following publication expected shortly in the EC's official journal.

US hopes on deadlocked trade bill

By Nancy Dunne in Washington

FOUR congressional staff members guiding the 1988 Trade Bill through Congress yesterday said that, despite press reports that the bill was dead, they would continue to search for means to get it passed this year.

"We're not sure how strong a pulse we have, but we will try to revive the patient," said Mr Rufus Yerxa, staff director of the House trade subcommittee.

So far, congressional Democrats and the Administration are still deadlocked over the provision to require employers to give 60 days' notice of big plant closures. However, conferees have not resurrected tbe Bryant Amendment, requiring disclosure of foreign investments, which would have provided another major obstacle towards final passage.

The House is to begin debate on the *final Bill* on Thursday.

Trade system for developing countries

BY WILLIAM DULLFORCE IN GENEVA

DEVELOPING countries established their own trading system, the Global System of Trade Preferences (GSTP), at a ministerial meeting in Belgrade last week.

Their move reflects Third World dissatisfaction with the General Agreement on Tariffs and Trade (Gatt), the international organisation governing world trade. It was, however, described hy India's Commerce Minister, Mr Priya Das Munshi, as "a major contribution towards preserving and strengthening the multilateral trading system."

An agreement setting up the GSTP was adopted by 48 countries. It will come into effect 30 days after 15 states, which must include representatives of all three regions, Africa, Asia and Latin America, have ratified and signed it.

A purely "South-South" arrangement, explicitly excluding the big industrialised nations that dominate world trade, the GSTP aims at promoting exchanges between developing countries.

It establishes a framework of rules under which countries will exchange concessions on customs duties, other border charges and any regulations or practices that restrict imports.

In a preliminary round of negotiations before the Belgrade meeting, the 48 countries had already granted one another trade concessions on over 1,300 products.

Initially, the economic impact of the GSTP is likely to be very small. Third World exports accounted for only 20 per cent of the world total of $2,450bn last year

A rough estimate by officials of the UN Conference on Trade and Development put an upper limit of $10bn on annual imports covered by the GSTP schedule.

Among the larger Third World trading nations that have accepted the GSTP are Argentina, Brazil, Egypt, India, Mexico, Nigeria and Pakistan.

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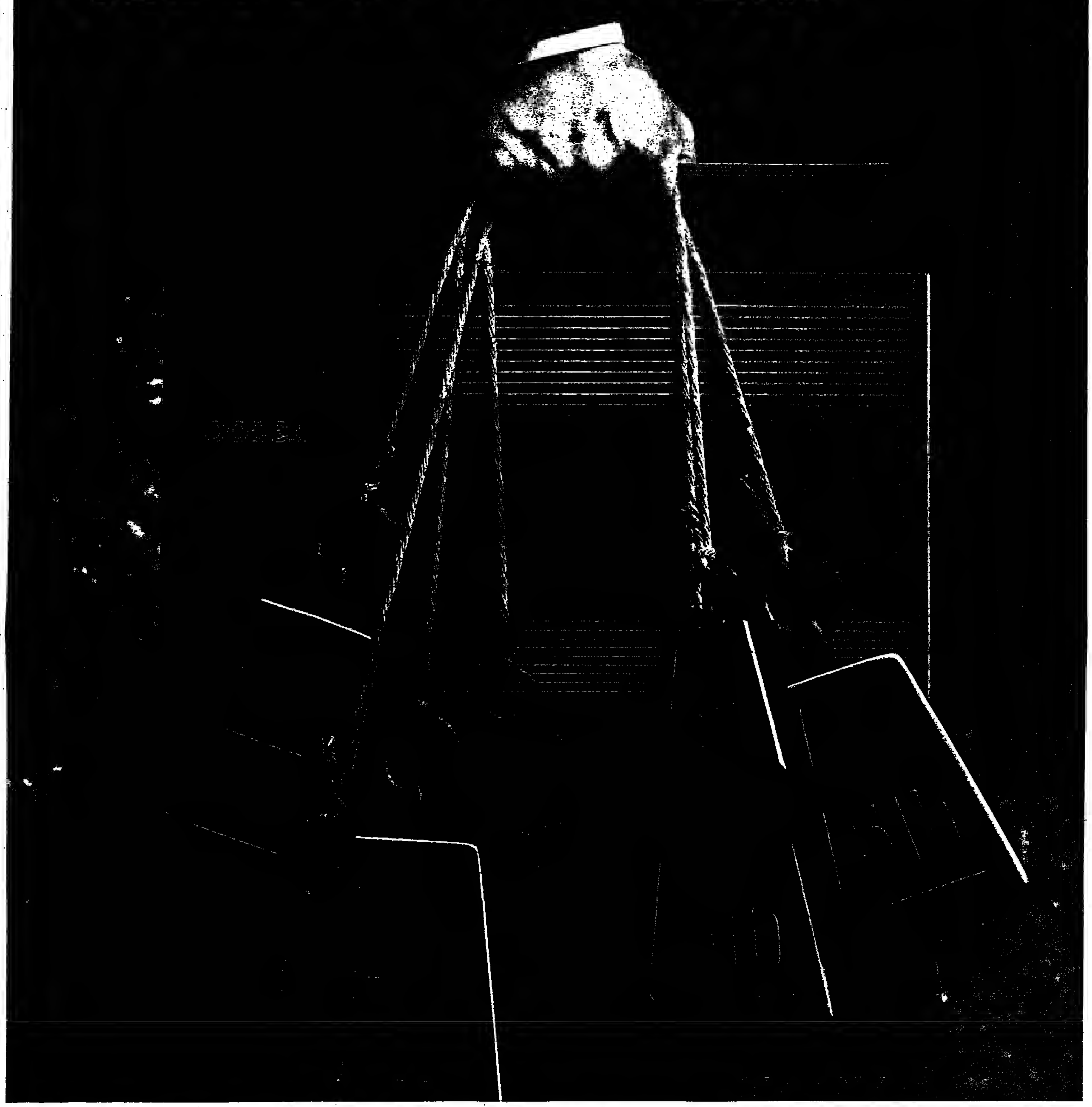

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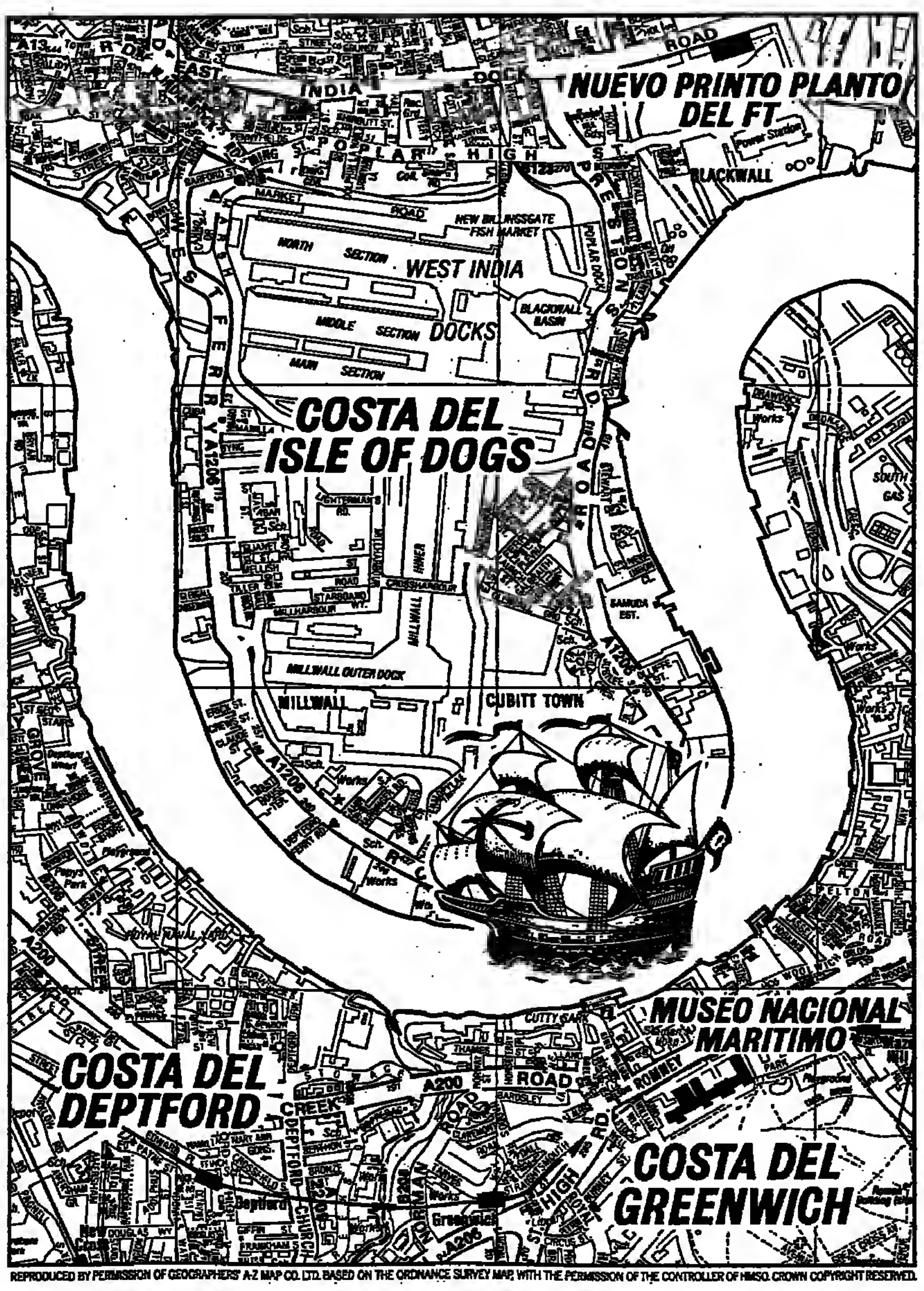

W Germans jail Lebanese for Beirut double kidnap

BY DAVID MARSH IN BONN

A WEST GERMAN court yesterday dealt out a tougher than expected 13-year jail sentence to Mr Abbas Hamadei, a Lebanese found guilty of helping kidnap two German nationals in Beirut in January last year.

The severity of the sentence, backing up the Bonn Government's firm official line on terrorism, is likely to complicate efforts to free the remaining hostage still held in the Lebanon, Mr Rudolf Cordes, an employee of the Hoechst chemicals group.

The other captive seized 15 months ago, Mr Alfred Schmidt, a Siemens technician, was released last September following intense diplomatic lobbying by Bonn and, it is believed, payment of a ransom by West German business interests.

Mr Hamadei was charged with attempting to intimidate the West German Government through helping to kidnap Mr Cordes and Mr Schmidt. Their seizure was designed to force the Federal Republic to take a soft line on Mr Hamadei's brother, Mohammed Ali Hamadei, who was arrested in West Germany in January 1987 and now faces trial on charges of hijacking a US aircraft in 1985.

The stiffness of the jail sentence handed down by the Düsseldorf regional court also reflected charges against Abbas Hamadei of illegal import of explosives. He was found to have brought into the country 16.5 litres of methyl nitrate.

Mr Kurt Rebmann, the state public prosecutor, said yesterday he was pleased with the sentence. It exceeded the prosecutors' call for a jail stretch of 11½ years.

The court said yesterday that Mr Hamadei had acted as interpreter for the kidnappers in January 1987. Mr Klaus Arend, the judge, said four telephone calls made by Mr Hamadei with accomplices in the Lebanon had proven his participation. Additionally, his finger prints had been found on a letter sent by the now freed technician Alfred Schmidt to his mother.

The sentence yesterday may increase worries in West Germany not only about the safety of Mr Cordes but also about possible retaliatory violence from extremist groups linked to the Middle East. Bombs exploded in Frankfurt early yesterday outside the city's Jewish centre and the offices of Saudi Arabian airlines, possibly in connection with the weekend assassination in Tunis of Abu Jihad.

South Africa details tank battles in Angola

BY ANTHONY ROBINSON IN JOHANNESBURG

GENERAL Jannie Geldenhuys, chief of the South African Defence Force, has partially lifted the lid on South Africa's undeclared war in Southern Angola with details of tank battles in the Angolan bush and the capture of modern Soviet weaponry.

The South African version of the war, released in an effort to counter Angolan and Soviet propaganda, was followed by news that an army major was killed and an NCO is missing after a skirmish over the weekend with South West Africa People's Organisation guerrillas in which six Swapo were killed.

The long-standing bush war against Swapo, who are fighting for Namibian independence, is linked with the much-bigger war in support of rebel Unita forces led by Dr Jonas Savimbi against Soviet- and Cuban-backed Angolan Government Fapla forces.

In his briefing to military correspondents, Gen Geldenhuys said that 31 South Africans had been killed and around 90 injured since May last year in two big operations in which, he claimed, at least 4,768 Angolan troops had died.

To keep casualties low, South African forces had deployed *long-range G-5 artillery*. Apart from a few direct clashes between South African and Fapla armoured divisions, mainly around the besieged Fapla garrison town of Cuito Cuanavale, most of the ground fighting appears to have been left to Namibian and Unita forces, who, *military attaches believe*, have taken fairly heavy casualties.

Soviet-supplied arms captured include the latest SAM-8 missiles and other sophisticated equipment including the portable SA-14 missiles similar to the US Stinger missiles supplied to Unita. Soviet T-62 battle tanks were also used for the first time in the Angolan war, alongside older T-54 and T-55 models.

The two operations, code-named Modular and Hooper, begun in May last year to counter a planned Fapla offensive against the Unita base of Mavinga. Gen Geldenhuys said a maximum of 3,000 South African troops had been involved against an estimated 25,000 Fapla forces stiffened by 1,000 Cubans, mostly attached to the Soviet-supplied armoured units. South African forces, he added, had began withdrawing from Angola early in December.

The official South African figures compare with Angolan claims that Pretoria had thrown 9,000 troops into the fighting including mainly black Portuguese-speaking soldiers of the South West Africa Territorial Force, whose casualties were not included in the general's figures.

According to the general, the two operations succeeded in the twin aims of preventing Fapla from overrunning Mavinga and stopping Swapo from establishing operational bases in Southern Angola.

Greater political will urged over debt crisis

BY MICHAEL HOLMAN AND NICHOLAS WOODSWORTH

FT
FINANCIAL TIMES & AFRICAN DEVELOPMENT BANK
CONFERENCE
AFRICA'S EXTERNAL DEBT

CREDITOR governments seeking solutions to Africa's external debt crisis need to demonstrate greater political will, Mr Herman van der Wyck, joint chairman of S.G. Warburg & Co, told delegates to the Financial Times and African Development Bank conference in London yesterday.

Most of Africa's $200bn external debt is owed to governments or government-owned export promotion agencies, he said. Thus the timing and even the amount of repayment is "singularly within the power of creditor governments to alter".

In contrast to other features of the continent's economic problems – structural imbalances, weak commodity prices, protectionist barriers in the industrial countries – "debt repayments are entirely a matter of government policy and consensus amongst creditor governments in the context of the Paris Club".

The characteristics of Africa's debt, compared to the situation in Latin America and elsewhere, "should make the African debt problem more tractable than most – the fact that this has not until now proven to be the case demonstrates clearly the necessity for greater political will amongst creditor governments," said Mr van der Wyck.

The current "short-leash" Paris Club system had limitations. Conventional rescheduling "has dramatically increased the outstanding debt as well as the interest cost of the debt to most African countries." At the same time, far from generating new capital flows to the poorest countries, "it had actually converted some of these nations into exporters of capital".

The Paris Club, Mr van der Wyck went on, should "adjust its practice to today's reality in Africa" and introduce realistic interest rates for debtors, and end the "fiction" of full accounting values on the debts.

Turning to the International Monetary Fund's role in Africa, Mr van der Wyck said that "one of the most unfortunate results of the built-in structure of Fund lending is the substantial negative flow of resources currently being experienced". The IMF's new extended adjustment facility, he noted, "should help to reverse this trend".

Mr van der Wyck questioned the Fund's de facto role as arbiter of last resort of a country's growth prospects and "ability to pay". The IMF, he said, "should take a far more realistic line with creditor groups. . . concerning the real earnings and payment prospects for many African members".

Mr van der Wyck also highlighted the fact some African countries are finding it difficult to meet repayment obligations to multilateral institutions: "The time is fast approaching when this difficulty will become acute. . . and new ways of refinancing must be found. . . the multilateral institutions should look to shouldering their share of the burden in this area."

By contrast, Mr John Bohn, president and chairman of the Import-Export Bank of the US, took the more conservative view traditionally associated with commercial creditors. Mr Bohn identified two groups of African debtors, those who expected to live by the generosity of the West (and who were arguing most bitterly for the writing off of African debt), and those who were seeking growth through adjustment and continued credit flows as a consequence of this growth.

The Exim Bank, Mr Bohn said, did not support proposals of debt forgiveness, and would advance credits only to those countries making concerted efforts to revive their economies through structural adjustment. Debt forgiveness, he reasoned, would lead to a reluctance on the part of creditors to advance further funds, and set precedents liable to be taken advantage of by debtors able to honour commitments.

Mr Bohn criticised Mr Nigel Lawson's 1987 proposals on debt forgiveness and showed hesitance in accepting the African Development Bank's recent plans for converting debt to long-term securities. The plan was, he said, "not disciplined enough", and would encourage some African nations to "revert to old habits".

He encouraged the IMF and the Paris Club, on the other hand, to continue traditional rescheduling practices.

Dr Irving Friedman, a former senior advisor at the African Development Bank, emphasised what he saw as the absolute need for substantial, sustained net inflow of capital to indebted African countries. Only this, be argued, would allow developing nations to raise productivity and output.

Dr Friedman acknowledged that continued heavy borrowing would cause a continuing balance of payments deficit. But accompanied by adequate debt management and structural adjustment it represented Africa's only solution to the *vicious debt cycle.*

Alhaji Abdulkadir Ahmed, the governor of the Central Bank of Nigeria, told delegates that Africa's debt crisis "required a new and bold initiative that would adequately deal with the structural nature of the problem". Key elements of such an approach would include better domestic policies, a favourable international environment and debt relief with adequate levels of concessional financing.

Ethiopia in offensive to 'finish civil war'

BY STEPHANIE GRAY IN LONDON

THE ETHIOPIAN Government was poised to launch a big offensive against rebel forces in the Eritrea and Tigray provinces in an effort to end civil war in the country "once and for all," Miss Joan Lestor, UK Labour Party shadow minister for overseas aid and development, said yesterday.

Miss Lestor, who recently returned from a week-long visit to Ethiopia, said there was evidence of large-scale conscription in the country. Those sent to the army included boys as young as 15 years of age who, despite their lack of military training, had been driven to the north in convoys of lorries.

She said she had been assured that the ban on international relief agencies working in the north, where at least 2m people were in urgent need of food and other relief, would be temporary, presumably until Government forces had reversed the recent advances of the rebel movements, particularly those of the Eritrean Peoples Liberation Front.

The Labour MP said there were "some bloody battles ahead" unless a compromise settlement was reached based on *Addis Ababa's offer of autonomy* for all the regions.

In the meantime, food, destined for the north, was said to be well covered and well preserved. The fear, however, was that migration, which has already begun, would increase dramatically if food could not be airlifted quickly into areas outside the Government's control.

Miss Lestor shared the widespread doubt that Ethiopian agencies could take over effective food distribution.

Relief agencies were ordered out of Eritrea and neighbouring Tigray earlier this month because the regime of President Haile Mengistu Mariam *feared* for aid workers' safety during the expected offensive.

Officials had not been moved by the agencies' protestations that they accepted the security risks. However, it was hoped that, despite the war, some of the agencies would be allowed to resume work, especially on crucial projects such as irrigation schemes.

At the least, Government forces will aim to retake Afabet, the supply depot for the northern regional army that fell to the EPLF in mid-March, and the small town of Adigrat, taken about the same time by the Tigray Peoples Liberation Front, which effectively cuts the main road into Eritrea.

Meanwhile, Ethiopian agricultural pricing reforms, which were introduced in January in an attempt to unblock hundreds of millions of dollars in aid money tied to reform of the agricultural sector, had answered the criticisms by the European Community. It was now "favourably disposed," Miss Lestor said.

She was unable to confirm recent speculation that Soviet support for the regime might be on the wane.

Moi defends Kenya's new parliamentary poll system

PRESIDENT Daniel Arap Moi yesterday praised Kenya's brand of democratic Government, apparently defending a much-criticised new system of preliminary election by public queuing, AP reports from Nairobi.

"The parliamentary system we have evolved has worked well in maintaining unity, peace and prosperity," Mr Moi said at the state opening of the sixth parliament.

Kenya is a relative sea of tranquility in East Africa, with five of its six neighbours fighting insurgencies.

"The people of this country have equal rights to choose their government and to determine the form it takes," said Mr Moi, 63, who has been a member of parliament in this one-party state since 1955.

He was not challenged in the general elections of March 21, Kenya's fifth since independence from Britain in 1963.

The new parliament was chosen at preliminary elections by public queuing on February 21, and at general elections by secret ballot on March 21.

Lawyers, church leaders and some politicians criticised the system whereby members of the ruling Kenya African National Union queued behind candidates or their agents for a head count.

They said it encouraged intimidation and disenfranchised voters who were not party members by advancing unopposed to Parliament all candidates who won at least 70 per cent of votes in preliminary party elections.

Forty-six of the 200 legislators won their seats in this manner.

Mr Moi said the new parliament must encourage local and foreign investment and broaden an export sector suffering from declining prices.

Gulf raids reinforce WEU role

By Robert Mauthner, Diplomatic Correspondent, in The Hague

THE LATEST skirmishes in *the Gulf appear to have given* a new lease of life to European nations' co-ordinated naval activities in the region, just as the Netherlands and Belgium were considering a reduction in their mine hunters.

This emerged as Foreign and Defence Ministers of the seven-nation Western European Union yesterday gave a warning on the Gulf in a declaration after a meeting in The Hague.

They warned that attacks on shipping in the Gulf could lead to self-defensive action by European naval units in the region. The declaration implicitly condemned Iran for planting mines and attacking merchant shipping, without naming the country.

The declaration, which underlined the importance of the contribution made by several WEU members (Britain, France, Italy, the Netherlands and Belgium) to the maintenance of freedom of navigation in the Gulf, called for an end to mining and other hostile acts in these international waters.

Though the reluctance of some countries, such as the Netherlands, to become embroiled in the Iran-Iraq conflict led to a slightly weaker declaration than Britain would have liked to see, its political message was clear.

Canberra eases press ownership

BY CHRIS SHERWELL IN SYDNEY

A FURTHER relaxation in ownership rules for Australian broadcasting was foreshadowed yesterday after ruling Labor Party MPs backed an increase in the allowed "audience reach" of commercial networks.

The increase is from 60 to 75 per cent of the population, and once it is legislated the change will restore the ceiling first announced by the Labor Government when it suddenly altered the ownership rules in November 1986.

That alteration, allowing licensees more than two television stations but preventing cross-ownership of the press, unleashed an extraordinary media shake-up which transformed the ownership of Australia's media.

At the time, however, the strength of the opposition parties forced the Government to lower the ceiling on audience reach to 60 per cent. Labor's general election victory last year has since paved the way for the ceiling to be lifted again.

The change will mean that Mr Christopher Skase's Qintex group can retain intact the nationwide network of Channel Seven television stations it has recently built up. Its latest acquisition of stations in Adelaide and Perth gave it coverage of some 73 per cent of the population.

It also means Mr Frank Lowy's Channel Ten network, owned through the Westfield/Northern Star group, and Mr Alan Bond's Channel Nine network, can expand instead of contract from their present size.

In both cases they were also about to breach the 60 per cent limit as they added audience numbers through the "aggregation" of non-metropolitan areas to their networks. For them, divestments will not now be necessary.

Yesterday's meeting of the Labor Party parliamentary caucus did not go along completely with the Government's latest proposals. It spurned a plan allowing newspaper owners to hold up to 15 per cent in a television company instead of 5 per cent.

If this position is sustained, it would oblige Mr Rupert Murdoch's News Corporation to sell two-thirds of its holding in Northern Star, in which it has a 15 per cent stake. The John Fairfax newspaper group would similarly be obliged to sell off part of its holding in Qintex.

Asia bank loans policy review

BY RICHARD GOURLAY IN MANILA

THE Asian Development Bank, the region's multilateral aid institution that covers more than half of mankind, committed loans worth $2.4bn in 1987, an increase of 22 per cent over the previous year, the bank said in its annual report published today.

However, for the second year running, the ADB paid out to developing countries less than it received in pre-payments, repayments and interest. This "net transfer of resources" away from the developing countries rose to $360m, from $129m in 1986, partly because of large repayments by South Korea and Thailand.

Particularly worrying was the net transfer to the bank by countries such as Malaysia, the Philippines, Thailand and Fiji, the ADB said.

The signs of stagnating lending come at a time when the bank is under heavy pressure, especially from the US, to reform its lending practices. The US is the second largest shareholder, just behind Japan, though they have equal voting rights.

As a result of this kind of pressure, an international panel of development experts has been set up to study what the bank should be doing in the 1990s and will report to the 47 member countries early next year.

In November, the bank changed its rules for lending to support specific sectors, the so-called programme lending for sectoral adjustment that is more widely used in other multilateral institutions such as the World Bank. Although one donor country official called the progress here as "glacial", the bank did make a $150m loan under the new rules to Indonesia for non-oil export promotion.

Gandhi wants more foreign investment

By John Elliott in New Delhi

MR RAJIV GANDHI, the Indian Prime Minister, yesterday said *that India needed more investment* by foreign companies in order to help make the country's exports more internationally competitive and to cut down the amount of foreign loans needed for industrial investment.

"We can absorb a larger flow of foreign investment with advantage to our economy by speeding up procedures and removing unnecessary irritants," he told a conference of the Confederation of Engineering Industry in New Delhi yesterday.

But Mr Gandhi ruled out any big change to India's Foreign Exchange Regulation Act which limits foreign stakes to 40 per cent of an Indian company's equity. "Our basic policy towards foreign investment is clear. It is not an open door policy. This basic policy is sound and does not need any change."

However, he thought that a total of Rs1bn (£42m) foreign investment coming into India annually was "miniscule" compared with Rs20bn into China and Rs15bn into Asean countries.

During a visit to Japan last week, Mr Gandhi was given many examples of problems with Indian government procedures which discouraged foreign investment. "There is a need to expand procedural simplification and efficiency to this area."

This will involve extending to foreign investments the simplification of government procedures which has been introduced as part of Mr Gandhi's liberalisation policies in domestic industry.

● The political popularity of Mr Gandhi's Congress I Government will be tested on May 28 when seven byelections are held for India's lower house of Parliament, the Lok Sabha.

They include Allahabad in the northern state of Uttar Pradesh which is specially sensitive because it is a stronghold of Mr Gandhi's family. Last night Mr Vishwanath Pratap Singh, Mr Gandhi's former finance and defence minister, said he was prepared to stand if the Congress I contestant was Mr Amitabh Bachchan, a former film star and close personal friend of Mr Gandhi who resigned the seat last year during corruption controversies.

Singapore rearrests eight who denied Marxist plot

BY ROGER MATTHEWS IN SINGAPORE

THE SINGAPORE authorities yesterday re-arrested eight of the nine people who on Monday had issued a statement denying involvement in an alleged Marxist conspiracy.

The nine were among 22 people first detained under the Internal Security Act in May and June last year.

The act allows for indefinite imprisonment without trial. All but one of the 22 had been released by December.

Mr Patrick Seong, a lawyer who had been acting for the detainees, was also arrested.

One of the signatories to the Monday statement apparently escaped arrest because she is in Britain.

In their statement the nine protested their innocence and said they had made their views public because of the "constant barrage of government taunts and its public invitation to speak the truth on the conditions we were subjected to under arrest and detention".

They claimed that during interrogation they had been repeatedly struck about the face and other parts of the body and deprived of sleep or rest for long periods. The Government has denied violence was used against them.

The nine also said that they had been threatened with indefinite detention and action against friends and family if they did not co-operate by making *televised* statements. The statement added that if necessary they would be willing to prove their innocence in an open trial.

The nine, six of whom are women and all but one university graduates, insisted that they never acted in any way to subvert the security of the state or were part of a Marxist conspiracy.

Quarter of P&O ferry crews accept new deal

BY JOHN GAPPER, LABOUR STAFF

P&O European Ferries said yesterday it was taking preliminary steps towards the re-starting of its cross-channel ferry service because more than 25 per cent of its 2,300 striking seafarers had indicated they would accept new working conditions.

The company said more than 600 members of the National Union of Seamen, who have been on strike for three months over proposed changes to working practices, had returned forms indicating their acceptance of the changes.

It said it had sent a number of ships' officers to Holland, where its cross-channel ferries have been berthed during the dispute, to begin preparations for the re-starting of a limited service.

The NUS said the returning of forms was not the same as singing new contracts and starting work again. It would gain an accurate picture of its members' feelings only at a mass meeting to be held on Friday.

The company's deadline for its seafarers to accept its revised package of changes – known as the red book – is 6pm tonight, and P&O said it hoped that more acceptances would be received by then.

The company said it was encouraged by the response, but it could not yet be sure that enough of each grade of staff had accepted the proposals for it to be able to restart a limited service.

Mass meetings of the striking NUS members have repeatedly rejected any settlement with the company over the changes, which it says are necessary to compete with competition from the Channel Tunnel and other ferry companies.

The deal which the seafarers are being asked to accept would cut jobs and set new shift patterns, meaning that they would have to work an extra 28 days of 24 hours each per year.

In return, those on the Dover-Zeebrugge and Dover-Boulogne routes would get an extra £400 a year.

● Trade union leaders yesterday supported a new procedure for regulating single union agreements. The Scottish Trades Union Congress unnanimously supported measures designed to ensure that unions do not risk a repeat of the clash of ideals that led to the recent loss of a Ford plant at Dundee.

Strike-free deal signed, Page 12

Britain welcomed aboard space project by European partners

BY PETER MARSH

BRITAIN'S DECISION to join Western Europe's Columbus space-laboratory project was welcomed yesterday by tha head of the programme at the 13-nation European Space Agency.

Mr Fredrik Engstrom said his sentiments were shared by the other countries in the agency, which met yesterday in Noordwijk, the Netherlands, to discuss progress in the Columbus scheme.

Britain said on Monday it would take a 5.5 per cent stake in the £2.8bn venture, which is to provide a laboratory and other space equipment to fit in to the US core of an international space station planned for the late 1990s.

Most of the UK cash will be spent on construction of a polar-orbiting platform, or satellite, which will be associated with Columbus and will be used for taking pictures of the Earth.

Mr Engstrom said British Aerospace would have a strong role in building the polar platform, though he could not guarantee it would receive the main contract. The matter would be clarified in the next few weeks.

It is believed that other European companies, such as Matra of France and Dornier of West Germany, may want to bid for the prime contract for the platform. Other UK companies likely to be involved in the satellite's development include Marconi and Logica.

Mr Engstrom said Britain's decision to join Columbus was particularly welcome because it meant ESA had received sufficient commitments from its members to cover virtually all the programme's costs. West Germany, Italy and France have already pledged 38 per cent, 25 per cent and 15 per cent of the projected expense.

Meanwhile, Mr Arthur Pryor, who on Monday was appointed head of the British National Space Centre, said yesterday he was looking forward to the challenge of the job.

Decision due on pay for nurses

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE CABINET is likely to reach its long-awaited decision on nurses' pay when it meets tomorrow.

The Government is widely expected to fund in full recommendations affecting the nursing and medical professions made by their respective professional review bodies.

Particular attention is expected to be paid to specialised fields where there is a shortage of qualified staff.

The proposals on the restructuring of nurses' pay and the recommaudations – together with reports from the four other official pay review bodies – were received last week.

In view of the Government's most recent difficulties over its social security changes and community charge proposals, ministers are anxious to make what they expect to be a well-received announcement without further delay. The total cost to the Exchequer of awards in the medical professions could be between £400m-£500m.

It appeared last night that, while a decision on the pay awards could still have to be delayed until next week's Cabinet meeting, every effort was being made to ensure ministers were in a position to consider the recommendations tomorrow. An announcement would then follow tomorrow afternoon.

Jaguar rise in output sought to offset fall in dollar

By Kevin Done, Motor Industry Correspondent

JAGUAR, the UK luxury car-maker, is accelerating its efforts to raise productivity and output levels over the next two years in response to the continuing weakness of the US dollar.

Sir John Egan, Jaguar chairman and chief executive, said yesterday that the company was aiming to reach a production level of six cars per employee by the end of 1989, two years earlier than originally planned.

The US accounted for as much as 55 per cent of group turnover last year and, although Jaguar has a far-reaching programme for hedging its dollar revenues, the weakness of the US currency was a major factor behind the 19.7 per cent slide in pre-tax profits last year.

The controversial productivity agreement finally accepted this week by Jaguar workers will allow the company to raise production from 1,200 to around 1,300 cars a week over the next two months.

Production workers voted by two to one on Monday to accept revised terms for productivity increases at the Brown's Lanes assembly plant in Coventry, the east Midlands. The vote lifted the threat of a strike over the issue which had hung in the air for the past month.

The productivity increased were agreed without any corresponding rise in workers' pay or in the number employed at the plant.

Sir John said yesterday, however, that continuing heavy investment in the automation of the company's Castle Bromwich body assembly plant, near Birmingham, and the Radford engine plant at Coventry, both in the Midlands, should raise output further to a rate of 1,400 cars a week by the end of 1989.

"We had hoped to take our time for introducing these big increases in productivity, but we are not given that opportunity because of the falling value of the dollar," said Sir John. "We have had to push the pace along."

Jaguar, which has more than doubled production in the last five years to some 48,000 units in 1987, is aiming for output at an annualised rate of 65,000 cars a year by the end of 1989. It is planning output of 56,000 cars in 1988 and 60,000 cars next year.

With the combination of the new production agreement and increased automation, it is Jaguar's ambition to raise productivity by 50 per cent – from 4 to 6 cars per employee – from 1987 to 1990.

Capital expenditure rose by 32 per cent to £132m last year, and is forecast to rise again to £140m in 1988 with a similar level next year before reaching a plateau of about 10 per cent of turnover.

Capacity for producing up to 80,000 cars a year should be in place by the beginning of 1990, said Sir John. The company has ambitions for increasing sales to around 90,000 cars a year by the mid-1990s.

Its strongest sales growth this year is coming from the UK, continental Europe, and Japan. Sales are increasing fast, albeit from a small base elsewhere in the Far East, including Taiwan, and Jaguar is aiming to enter the South Korean market later this year with the appointment of its first dealer/distributor in Seoul.

Defence purchasing chief denies £4bn of 'profligate waste'

BY DAVID WHITE, DEFENCE CORRESPONDENT

FIGURES FROM an official report suggesting that up to £4bn of Britain's annual defence equipment bill was taken up by unforeseen costs were dismissed as misleading and inaccurate yesterday by Mr Peter Levene, chief of defence procurement.

He denied that the Ministry of Defence was guilty of profligate waste. The £4bn was a throw-away figure extrapolated from a limited number of project histories. In some of these the extra cost merely reflected increased requirements.

He said overspending on this scale was unthinkable. His total procurement budget of about £8.5bn a year left only about £6bn after purchases of spare parts.

"If we overspent by £4bn, we would end up buying nothing at all," he said.

The estimate was taken from an internal report on MoD efficiency, drafted in the wake of the cancellation of the £1bn Nimrod airborne early-warning project in 1986.

Mr Levene was speaking at a seminar organised by Kleinwort Grieveson Securities.

He said competitive bidding for contracts, a cornerstone of ministry policy for holding costs down, now applied to 80 per cent of land weapons systems, 70 per cent of air systems and 40 per cent of sea systems.

He also denied that Boeing of the US, which won an £860m order for Awacs early-warning aircraft in preference to Nimrod, had defaulted on its pledge to provide work for British industry in compensation.

Peter Levene: costs report 'misleading'

"Boeing are fully committed to carrying it out. They will carry it out," he said.

He was confident Boeing would meet or exceed its promise to supply high-technology work equal to 130 per cent of the value of its contract over eight years.

"That figure will probably end up at 200 per cent," he said. Boeing was likely to keep UK suppliers once trading relations were established.

On the other hand, he argued against further use of compensation deals. Offsets of this kind, agreed to cushion the impact of the Nimrod cancellation and its effect on jobs, were a totally artificial mechanism and could be counter-productive.

In the case of the Boeing deal, they had already provoked a backlash in US industry, he said.

Greedy insurance claims attacked by Ombudsman

BY ERIC SHORT

THE INSURANCE Ombudsman attacks in his latest report "avaricious consumers" who make invalid or exaggerated claims to their insurance companies.

Mr James Haswell says in the report that such behaviour is basically dishonest and is prompted by avarice, in some cases amounting to blackmail.

The Insurance Ombudsman Bureau has for some time experienced policyholders making invalid claims and trying to involve the Ombudsman into bullying or shaming the insurance company into paying the claim.

Mr Haswell accepts it is usually cheaper for insurance companies to pay small claims without question but urges them to carry out random checks, at least for a trial period, and for "vigorous prosecution" of those caught red-handed.

In his annual reports, Mr Haswell comments on conclusions reached in dealing with complaints.

Previously, he has urged policyholders to read and understand their insurance contracts and his main criticisms have been directed at insurance companies.

Teachers will be offered review body rise in full

BY RICHARD EVANS

THE GOVERNMENT committed itself yesterday to giving teachers in England and Wales the full 4.25 per cent increase recommended by the review body set up to fix this year's pay award, despite sharp criticism from most of the teachers' unions.

Each teacher will receive a pay rise backdated to April 1, ranging from the basic 4.25 per cent to well over 6 per cent for some who will receive incentive allowances. The package will add £332m to the teachers' pay bill in 1988-89.

The proposals, to be the subject of formal consultations with the unions and local authorities, will be followed by other politically sensitive pay awards in the public sector. Recommendations on the medical professions, including nurses, the Armed Forces and top salaries are expected within the next few days.

The primary criticism of most of the teachers' unions yesterday was that the basic award is just the average for the public sector and is little more than half private sector settlements.

The main teaching unions, including the National Union of Teachers and the NAS/UWT, had claimed between 5 and 20 per cent. The NAS/UWT, the second largest union in the profession, decided at its conference last month to launch a short campaign of strikes in the summer or autumn if the settlement was around 4.5 per cent. Mr Fred Smithies, general secretary, said last night that this was now likely.

So the scene could be set for another bruising round of in-fighting between the Government and the unions, despite the insistence of Mr Kenneth Baker, Education Secretary, that the award was sensible and fair.

Mr Baker said he welcomed the unanimous report from the Interim Advisory Committee set up by the Government last year following the demise of the Burnham Committee, the joint union negotiating team on pay. Its proposals would increase excellence in teaching by increasing the value of incentive allowances and speeding up their introduction.

He said that by September next year half of the teachers in primary schools and 60 per cent of secondary school teachers should receive incentive allowances or be heads or deputies.

The committee's report, published yesterday, has been sent to the unions and to local authorities who have until May 10 to comment. The Government is then likely to use its Parliamentary majority to impose the deal.

The reaction of the unions was typified by a spokesman from the NUT, who said that 4 per cent *represented a pay cut*. "What is needed is an attractive package of incentives to retain and recruit the best teachers," he said.

Public sector target for jobs practice inquiries

BY CHARLES LEADBEATER, LABOUR CORRESPONDENT

THE PUBLIC sector is the most likely target for the Government's next inquiry into restrictive trade union, and working practices, Mr Norman Fowler, Employment Secretary, said yesterday.

Mr Fowler said a number of areas were being considered, in which the Govenment might usefully launch the kind of inquiry the Monopolies and Mergers Commission recently began into restrictive practices in the television and film industry.

Mr Fowler said he was reviewing a number of areas where competition alone either had not been, or would not be sufficient, to eliminate restrictive labour practices.

It is thought that the National Dock Labour Scheme, which is administered by the Government, and about which employers have complained bitterly, is the leading contender for an inquiry.

He did not rule out the possibility of an inquiry into the coal industry's troubled industrial relations, but said this would probably be left until after other inquiries had ended.

TAYLOR WOODROW, BALFOUR BEATTY AND SCHRODERS LINK FOR ENERGY PROJECT

Consortium plans power station ventures

BY ANDREW TAYLOR AND MAURICE SAMUELSON

TAYLOR WOODROW, construction group, Balfour Beatty the construction arm of BICC engineering group and Schroders merchant bank are to form a joint company to build, own and operate power stations after the proposed privatisation of the electricity supply industry.

The joint company has already identified one major coastal site in England where it could burn imported coal, gas or oil. It will not be a nuclear power station.

Taylor Woodrow and Balfour Beatty are among the most experienced companies involved in Britain's power station building industry. Schroders would be expected to raise private investment to build the stations.

The joint company has been formed at a time when the Central Electricity Generation Board is considering how it will finance Britain's biggest power station programme for almost 20 years.

Sir Frank Gibb, chairman of Taylor Woodrow, said the venture had been made possible by the privatisation plans.

Previously Taylor Woodrow and Balfour Beatty had investigated the possibility of refurbishing disused power stations and selling electricity to the CEGB, but terms offered by the CEGB based on its bulk supply tariff arrangements were felt to be uneconomic.

Private companies including other construction groups have been showing increasing interest in investing in private electricity production after privatisation.

At least six proposals involving a total generating capacity of 4,000 MW had been made by private companies to the CEGB by last November. The biggest was a 1,200 MW plant proposed by Taylor Woodrow. Other companies involved in discussions included Trafalgar House, the British construction, property, shipping and hotels group, and Bechtel, the US construction and engineering group.

Trafalgar House is interested in refurbishing a 300 MW oil-fired power station at Poole, Dorset, to run on natural gas. Several oil companies including Shell have expressed interest in building new plants to run on natural gas.

Independent Power and Energy, a privately-owned company, whose chairman is Lord Ezra, former chairman of the National Coal Board, is negotiating with the CEGB to purchase, refurbish and operate three elderly coal-fired power stations.

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NASDAQ's arrival heralds intensifying international competition in stock trading, writes **Stephen Fidler**

Battle of the US exchanges moves to London

LONDON is moving to centre stage in a battle for turf among US stock exchanges.

The permission given by the Department of Trade yesterday to Nasdaq to act as a recognised investment exchange in the UK provides the American electronic share trading system with ammunition in its battle with the other US exchanges.

It also spells competition, albeit limited, for the London stock exchange.

Stock markets in the US have been straitened both by the stock market plunge in October and a spate of takeovers in the US which is reducing the number of companies which need stock exchange listing.

"There are a declining number of companies whose shares are being publicly traded. As a result competition for listings gets keener and the competition to list existing companies gets keener," says Mr Joseph Hardiman, president of the National Association of Securities Dealers, which runs the Nasdaq system.

That competition is going international and is focused on London as main international share trading centre. The two other main US stock exchanges are also moving to the City. The smaller, the American Stock Exchange, is in the process of setting up shop in the City, having closed its office in Amsterdam. The larger, the New York Stock Exchange, also has plans to establish a London office.

Neither of these two will, however, need to be recognised as an investment exchange in London. Unlike Nasdaq and the London exchange, which have established markets based on a system of competing market makers displaying prices on computer screens, both the NYSE and Amex have their trading floors firmly fixed in New York.

Nasdaq's movable computer screens are the reason why Nasdaq has to go a different route. There are 80 NASD members in London, some 20 being market makers.

Nasdaq screens are already installed in about a dozen securities firms, although there are plans to expand this nnmber. Yesterday's move will therefore allow Nasdaq to continue operating as it has been, following the implementation later this month of the relevant part of the Financial Services Act, which governs regulation in the securities markets.

Nasdaq's screen system is similar to that adopted by the London exchange at Big Bang in October 1986. This makes the two exchanges – the third and fourth largest in the world respectively in terms of market turnover – natural collaborators, as well as competitors.

Sir Nicholas Goodison, chairman of the London exchange, was yesterday playing down that element of competition which appears to worry some stock exchange members.

In fact, at this stage, competition is strictly limited. Only 34 issues are traded on both markets, as well as some American Depositary Receipts, where foreign shares are bundled for easier trading in the US market.

While Nasdaq would no doubt like to see this number expand, it is difficult to envisage competition reaching such a pitch that it presents problems for the London exchange, which is still the largest market for shares trading outside their home country.

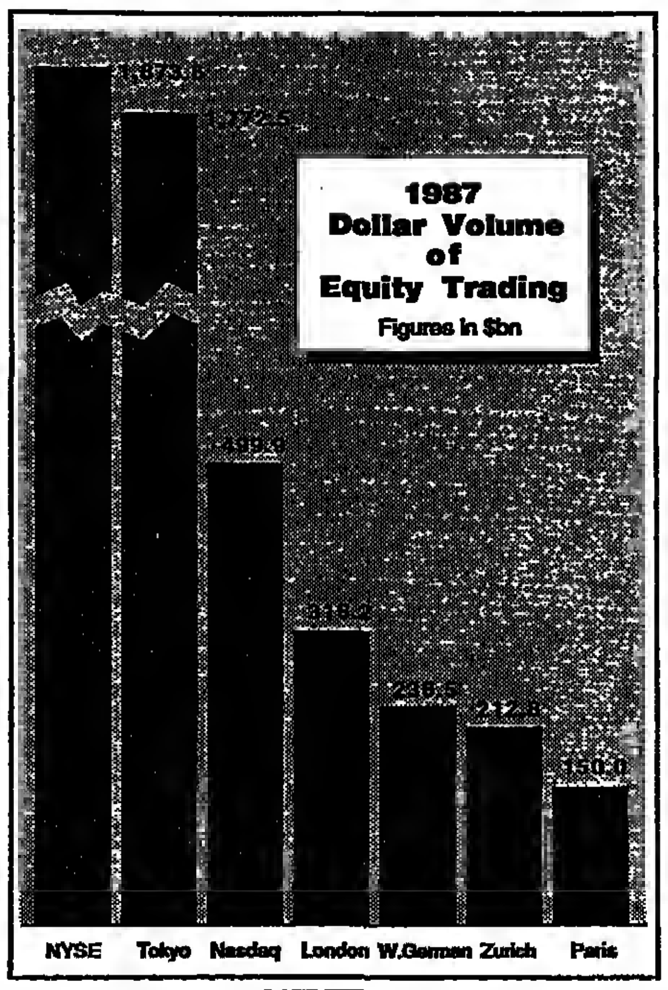
Indeed, both sides were emphasising co-operation yesterday, rather than competition. Already the exchanges share quotations on about 700 stocks.

The next step – possibly later this year – is a more important step to link the exchange's clearance and settlement systems.

Further ahead, attempts will be made to link Nasdaq's small order executions service, on which trades involving fewer than 1,000 shares are handled, with a similar service planned by the London exchange. An informal understanding on such a link is understood already to have been reached.

Nasdaq is the most international of the US exchanges. Of the 136 ADRs trading in the US at the end of 1987, 97 of them were being traded on Nasdaq, including ADRs of companies such as Jaguar and Reuters, and 34 on the NYSE.

Yet, it regularly loses its largest companies to the more prestigious NYSE. Claim and counterclaim has been made as to which of the two US markets performed better during the crash, and both exchanges are addressing these criticisms. However, the pace of delisting from Nasdaq has indeed stepped up slightly since the crash.



In Brief

Moderation of uniform business rate urged

CONFEDERATION of British Industry leaders are to meet Mr Nicholas Ridley, Environment Secretary, today to urge the Government to moderate the impact of the uniform business rate, which will come into effect in April 1990, writes Richard Evans.

They say unless immediate action is taken during the passage of the Local Government Finance Bill through Parliament, the combined effects of the revaluation of business premises and the uniform business rate will be catastrophic for some businesses.

Miners back Kinnock

Leaders of the Yorkshire National Union of Mineworkers voted to support Mr Neil Kinnock, the opposition Labour Party leader, in the party's leadership contest. The vote is a blow for his rival, Mr Tony Benn, who it was widely thought would win the miners' backing.

Securities arrivals

The number of overseas securities houses in London grew last year by 12 overall to a high of 155, said Noel Alexander, financial consultants. There were 13 new arrivals, mostly Japanese taking their presence up seven to 41, and one departure. The US presence, with 54 houses, remained the biggest.

Century 21 to UK

Century 21, estate agency franchise system owned by US insurers Metropolitan Life, is to open nine offices in Northern Ireland, its first UK venture.

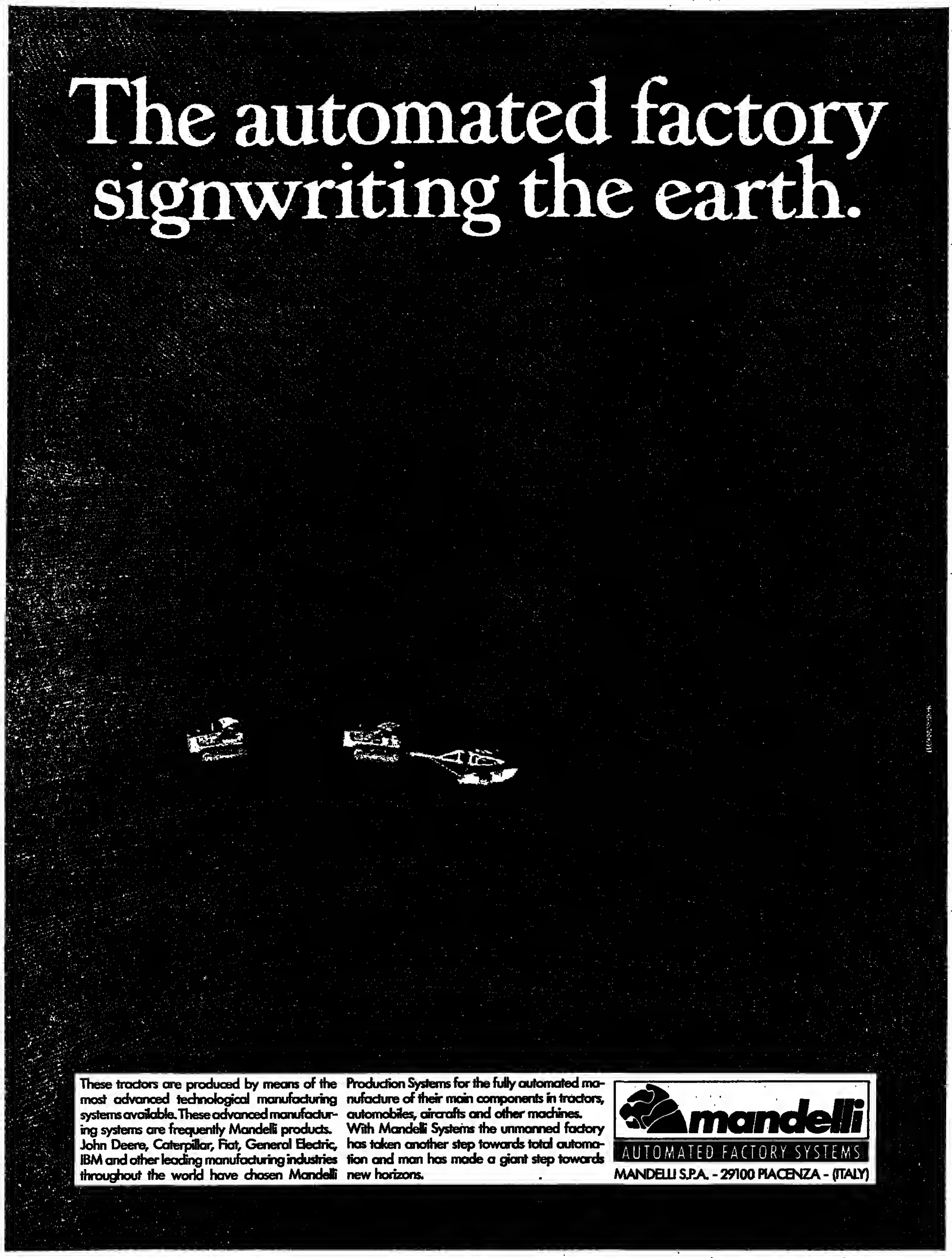
Bovis' £90m deal

Bovis, construction arm of the P&O group, has won a contract for a £90m block which will form part of Europe's biggest office development at Canary Wharf in London's Docklands.

Bank rationalises

Bank of America is to centralise its European and Middle East transaction processing operation at its centre in Bromley, Kent, in a cost-saving measure which will mean 400 job-losses, mainly in Continental Europe.

UK NEWS



Japanese group wins union anti-strike deal

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS OF the GMB general union, which has been among the most critical of unions agreeing single-union strike-free deals, have signed a new one-union pact with a Japanese company in South Wales, which in effect is likely to rule out strike action.

The GMB is pushing hard through the Trades Union Congress for new procedures to prevent unions competing directly in front of employers for single union recognition deals in so-called union "beauty contests" and to restrict the ability of unions such as the EETPU electricians and AEU engineers from signing strike-free deals.

But the GMB has just signed an agreement with Diaplastics UK, a subsidiary in Bridgend of the Japanese electronics company Mitsubishi after winning just such a beauty contest.

Both the union and the company, which makes injection mouldings for television and cassette-recorder cabinets, acknowledge privately that the deal is in all but name a strike-free agreement.

Four unions – the GMB, the AEU, the EETPU and the TGWU transport workers – competed for the deal to cover about 150 employees at the site. The agreement, in line with a number of others signed by the EETPU, AEU, GMB and TGWU, provides for work force felxibility, single status, employee consultation and provides that disputes may be referred to binding arbitration.

Although the company and the GMB said publicly yesterday that this did not constitute a no-strike deal, it is similar to other agreements such as at Nissan, which are effectively seen as strike-free deals.

Mr John David, Diaplastics' personnel director, said: "There is an implicit understanding that deadlock disputes will go to arbitration." Mr David Plant, GMB national white-collar officer, said: "The fact is that a host of members clamouring for the return of strikes does not exist. Our members do not want to resolve disputes through strikes. They want a system which is fair, and gives them a fair deal."

Mr David Jenkins, Wales TUC general secretary, said the deal was a "first-class example of how these matters should be dealt with." But the GMB was attacked by the EETPU for being hypocritical in signing the deal.

Ices industry 'must tighten regulations'

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

RULES governing the ice cream industry should be changed to protect both consumers and manufacturers, according to Mr David Walker, a fellow of the Institute of Trading Standards Administration.

Technological changes and market forces which had emerged since the present regulations were drawn up in 1951 had forced or induced some manufacturers to cut production costs such that quality had suffered drastically, he said yesterday.

He was introducing a report, Ice Cream Technology - its Use and Abuse, which had drawn fire from Wall's, the market leader, and the Ice Cream Federation, the main industry organisation, even before its official publication.

They were alarmed by the study's focus on technological advances which allowed manufacturers to "inflate" ices with ever-increasing amounts of air without a statutory requirement to tell the shopper.

"The consumer is at best being insufficiently informed as to what he or she is buying: and at worst is being misled – simple adulteration," the report said.

For manufacturers, the report said, in a market dominated by retail chains demanding cheaper products sold by volume rather than weight, "the ability to compete can quite literally depend on the turn of the . . . valve which determines the air content and volume of the product."

Wind power site selected for electricity generation

BY MAURICE SAMUELSON

A SITE in Cornwall, in the west of England, has been earmarked as one of three proposed wind "parks" in England and Wales for producing cheap electricity from clusters of wind turbines.

The Central Electricity Generating Board yesterday said it would conduct detailed civil and engineering studies near Cold Northcott, about eight miles from Launceston.

The board has told Cornwall County Council and the local district council that the "park" would consist of about 25 turbines, capable of generating enough electricity for about 5,000 people.

It hopes to be ready to seek planning consent for this and two other similar sites in England and Wales within a year and to construct and commission them between 1990 and 1992.

As part of a £28m programme announced last month, the CEGB is examining sites in the South West, West Wales and the Northern Pennines. It hopes to announce the West Wales and Pennine locations shortly.

Each cluster of machines would have a peak generating capacity of eight megawatts. Typical wind parks could consist of 30-metre high turbines with blades of 30 metres diameter on either vertical or horizontal axes.

Airport passenger traffic rises 16% in year to 64m

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

UK AIR travel continues to grow strongly, with March traffic at the BAA (formerly British Airports Authority) airports gaining 16 per cent over a year earlier to reach nearly 5m passengers.

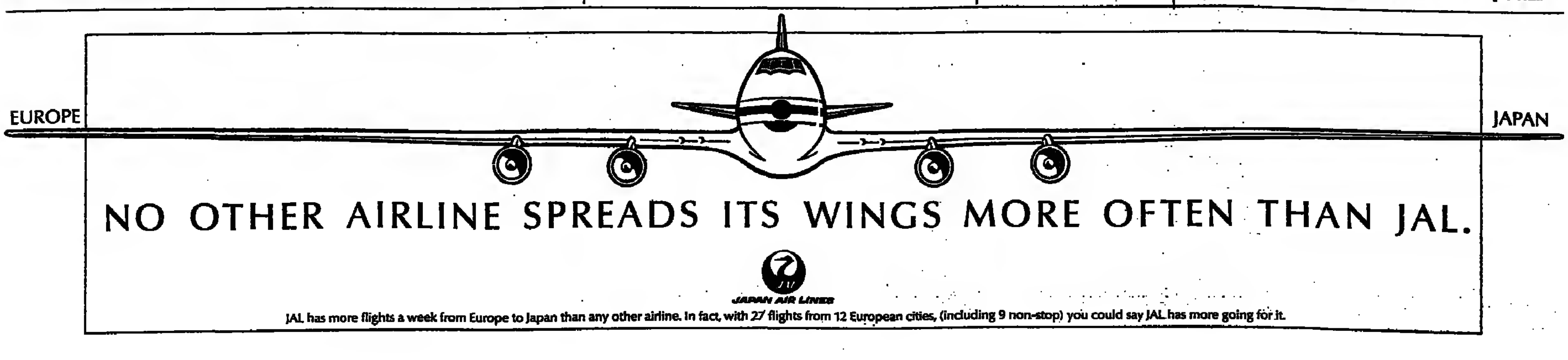
Although the March figure was inflated by additional traffic resulting from the Easter holiday, which came earlier this year, and the recent sea ferry disputes, it nevertheless indicated an underlying strength in air travel which is expected to continue this summer.

Most airlines are reporting strong bookings for the next few months, while charter operators are also reporting good forward contracts. Sir Norman Payne, chairman of BAA, said last week that for the full 12 months to the end of March, passenger traffic at BAA's airports (Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, Aberdeen and Prestwick) rose by 15 per cent to 63.7m.

The detailed statistics for the full year show that to keep pace with the traffic growth, the number of aircraft movements is also rising steeply.

For all seven BAA airports, aircraft movements totalled nearly 680,000 in the 12 months to March, or 8.6 per cent more than in the previous year.

For London and the south-east of England, movements totalled 508,000, a rise of 9.4 per cent.



How to avoid joining an ineffective team

BY MICHAEL DIXON

IF YOU are taken ill or suchlike in a place populated only by strangers, simply shouting "help!" is unlikely to be any use. Nine times out of 10 your cry will be ignored. But if you focus on just one of the other people and ask him or her personally for help, you have a 90 per cent chance of getting it.

That tip was given to the Jobs column the other day by Robert Lefton, president of the United States management consultancy Psychological Associates. And on the face of things he seemed to be somewhat out of character in advising that, when helpful action is needed, it is wiser to call on one person than on several. For Dr Lefton's main claim to fame is as an advocate of teamwork.

His services are in considerable demand at present. In a highly competitive commercial world, more and more companies are deciding that their success depends on harnessing the productive and innovative talents of their whole workforce, and see improved teamwork as the best means of doing so.

Evidence of the interest in the topic lies not only in the "gate" attracted by Dr Lefton's seminar in London last week – 80 senior managers from 59 organisations, one of which sent seven directors including its chief executive – but in job advertisements. Ability to work in teams is increasingly stipulated as an essential for higher-rank posts.

Readers of this column will need no telling that if they are asked in an interview whether they are good teamworkers, their answer should always be "yes". Even so I would remind them that, before accepting any job in which they'd be expected to be part of a team, they would do well to ask to meet its leader and otherwise find out what it really exists to do. The reason is that although "teamwork", like "motherhood", is now viewed by almost all organisations as a good thing, the word is apt to have different meanings.

One of them is paralleled by a partienlar nse of the word "communications", which was identified some 16 years ago by research into managers' training needs. Struck by tbe large number who said they wanted courses in communications, the researchers inquired what sort of communications the managers meant. It turned out that most of them wanted courses which would teach them how to give orders their subordinates would instantly and unquestioningly obey.

Robert Lefton says his studies of US companies show that the interest of a good many senior managers in improved teamwork is directed to precisely the same end.

From the viewpoint of job candidates of course, companies whose chiefs try to use teams for that purpose are best avoided. So readers who may be considering a move would be wise to look out for certain distinguishing marks, some of which were identified by observers of organisational pathology well before Dr Lefton was born.

One example is the Russian novelist Dostoevsky who said there are three main ways in which people can enslave groups of their fellow beings to their own ideas. "The first thing which has a tremendous effect is giving them titles....Then the next force is sentimentalism.... And the most important force of all – the cement that holds everything together – is their being ashamed of having an opinion of their own. That is a force!... They think originality is a disgrace."*

While teams run on those lines are efficient in resolving on action, they are prone to certain drawbacks. In particular, they are unlikely to harness anyone's innovative and productive talents except the chief's.

Consequently candidates need to be wary of joining a group of people who appear to have a preoccupation with titles, to be sentimental - not least in the importance they set on avoiding conflict with one another, or to react suspiciously to unfamiliar ideas. The best that a member of a group like that can hope for is that its leader is supremely clever or, if not, very lazy. For as Dr Lefton agreed, the only thing worse than a stupid autocrat is one who is hard-working as well.

As an aid to accurate diagnosis of Dostoevsky's Syndrome, he has identified a number of signs charcteristically displayed by the members of afflicted groups.

One of them, which he calls "promotional leadership", is a tendency by team-leaders to reveal their own ideas on any given issue hefore asking the other memhers for theirs. To illustrate, he cites a meeting he attended while working with a big American corporation.

"The chief executive kicked things off by saying: 'I think we must – I repeat must – build the new branch as soon as possible, but I want to hear your views first.' Within minutes, six vice-presidents agreed that yes, we must. Two of them offered some mild reservations at first, bnt nobody sngegested that building the new store quickly was a bad idea. Did anyone *think* it was? Wbo knows? With promotional leadership, it's often impossible to tell.

"At the worst, promotional leadersbip is deliberately manipulative; at best, it's a matter of bad timing. Either way it has a baneful effect: it squelches the most submissive members of the team (while also taking the wind from the sails of most of the rest). Unhappily, the most submissive members may also have the best ideas or the latest information or the sharpest insights."

He added that senior managers wbo indulge in that style of leadership rarely if ever seem to realise that there is little point in surrounding themselves with able subordinates unless they are encouraged to speak their own minds. "Assembling a group of intelligent. knowledgable people for the purpose of getting them to bless an already made decision is no way to improve deeision making and is a waste of their time and talents."

A second mark of ineffective teams is that, when considering what to do, their chiefs insist on confining discussion to courses of action already clearly identified as options. On many occasions, the 26 top executive teams the US consultant has studied reached conclusions without mnlling over the full gamut of possibilities. "Often they limited discussion to two competing ideas when it was apparent that several others could have been suggested."

A further danger sign lies in the team-members' lack of skill in probing one another's views. Robert Lefton says there are eight distinct ways of stimulating other people to air their thoughts think. The eight are open-ended probes, reflective statements, summaries, pauses, nentral probes, brief assertions, leading questions, and closed-end probes.

"But the only ones used with any frequency in my observation were the last three: assertions, leading questions, and questions inviting only a yes/no answer. That's one thing in which western managers have a lot to learn from the Japanese. Tha main reason top executives in the west are much more concerned about teamwork than they were 20 years ago is that they've been shocked and humbled into it by competition from Japan. And the Japanese are highly skilled a prohing for information; in particular, they're fabulous at using pauses," he said.

"What's more, as good a test as any of whether managers are good teamworkers is to face them with questions and assertions over a lengthy period and see how they respond. If they ever pause for longer than three seconds before giving their answer, they probably fill the bill."

Ironmongery

RECRUITER Nigel Wild of the Tanstead Associates consultancy seeks a managing director for a Home Counties company dealing in architectural ironmongery. As he may not name his client, he promises to abide by applicants' requests not to be identified to the employer at this stage.

Candidates should already be successful general managers in a similar business. Salary around £40,000. Perks include car.

Inquiries to Mr Wild at 11 Hills Place, London W1R 1AG; tel 01-439 1881, fax 01-734 0670.

**The Possessed, part 2, chapter 6, section 7.*

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BSI 1873 Banca della Svizzera Italiana London Branch

The London branch of this major Swiss bank, which has recently opened in London, is currently expanding its operations and as a result is seeking to recruit individuals who are looking to develop their careers in the following areas:–

MANAGER – PRIVATE BANKING £ negotiable

With a rapidly growing client base, this opportunity has arisen for an experienced private banker to head a small, but enthusiastic team.

Required qualifications are at least five years experience in a similar position, fluency in a European language other than English and the ability to develop, maintain and service an international client base in Europe, the Middle East and Africa.

MANAGER – EUROBONDS £ negotiable

The bank requires an experienced Eurobond Trader to run this new department, which will initially provide a Secondary Market capability to the bank's existing clientele.

The successful candidate must have a proven track record as an Eurobond Dealer and ideally have had exposure to Sales and/or Primary activities. He or she must be able to work on their own initiative, have very good communication skills and a confident approach. This is a start up situation with exciting potential.

The salaries for these positions are negotiable. In addition the bank has an attractive benefits package that will match the individuals' experience and expectations.

Please write in confidence quoting the appropriate reference, with full career details, to S.P. Cossins, Manager Operations, Banca della Svizzera Italiana, London Branch, Windsor House, 39 King Street, London EC2V 8DQ.

FLEMINGS CHARTERED SECRETARY

A vacancy exists for a Chartered Secretary to deputise for the Trust Manager of Flemings' new and expanding Trust Corporation in the Isle of Man.

An experienced individual is sought for this demanding position. Principal duties will include formation and administration of Companies and Trusts.
A mature and flexible approach is required.

Applicants of either sex should send a C.V. which will be treated in the strictest confidence to:

Richard S Hetherington,
Trust Manager, ROBERT FLEMING (IOM) TRUST CORPORATION LIMITED,
3 Mount Pleasant, Douglas, Isle of Man.

IPS

SWAPS **£NEG.**

A leading U.K. House is looking for a Senior Swaps Engineer/Marketing Person with a number of years experience. We are also seeking experienced Swaps Traders. C5742

LOANS ACCOUNTS CONTROLLER **£14,000**

Merchant Bank have urgent requirement for responsible, mature individuals. Preferably from merchant/international/clearing bank background. Experience of Lotus 123, management accounts and spread sheets. C5736

CHIEF DEALER/HEAD OF TREASURY **£50,00 + USUAL PACKAGE**

Rapidly developing Bank seeks Chief Dealer/Head of Treasury for expanding dealing room. Must have sound experience of all currencies and knowledge and ability to initiate use of futures and FRA's. Mid/late 30's. C5744

TREVOR JAMES CITY
62-64 Moorgate London EC2R 6EL
Tel: 01-920 9512

Corporate Finance Settlements

PHILLIPS & DREW

Phillips & Drew is one of the City's leading financial institutions, offering a wide range of services to its clients. An opportunity has arisen in Corporate Finance, one of the Company's most rapidly developing areas, for an Assistant to the Manager of the settlements team specialising in underwriting and placings.

This position requires an energetic person aged between 22 and 35, with a broad knowledge of settlements and, ideally, a working knowledge of the Stock Exchange Quotations Department, although this is not a necessity. Previous experience in a supervisory position would be a distinct advantage.

The remuneration package includes an excellent salary, bonus, mortgage subsidy, free BUPA and non-contributory pension scheme.

If you are interested, please write, enclosing a comprehensive cv to:

Sally Mew,
Personnel Officer,
Phillips & Drew Limited,
120 Moorgate,
London EC2M 6XP
Tel: 01-628 4444, Ext. 3237

A MEMBER OF THE UNION BANK OF SWITZERLAND GROUP.

A UNIQUE MARKETING OPPORTUNITY IN FINANCIAL ENGINEERING

Option Technology Australia Limited has pioneered the World in the commercial application of Synthetic Option Technology SM (also known as Synthetic Insurance Technology SM) to Foreign Exchange Risk Management.

We have established an impressive track record managing individual risk exposures ranging from tens of millions to well in excess of one hundred million.

Our service is now being used successfully by a diverse range of companies.

Option Technology (Europe) Limited has recently established its offices in St. James's Street, London.

An exciting opportunity now exists for a highly-motivated, talented individual to assume responsibility for marketing this innovative Technology-based service in Europe.

The successful applicant will be flown to Sydney for training in our breakthrough Technology.

Understandably, to learn both the new Technology, and then to impart it convincingly to Europe's Corporate Treasurers and Boards of Directors, you will need to possess some quite outstanding professional qualities.

Apart from presenting extremely well and appreciating the nuances of the European marketplace, you will need to demonstrate very strong technical aptitude.

Consequently, you may have a mathematical or scientific tertiary qualification, and most probably, will already have embarked upon a career in Investment Banking, Merchant Banking or in Treasury.

We are seeking a rare and uniquely-talented individual possessing exceptional communications skills, who prefers a team environment to work in.

We will be interviewing in London from April 25 to May 6.

Accordingly, may we suggest you act immediately, either by:

1. Sending a concise career resume to our London office address below, or
2. Calling Mr. Brian Lowcock in London on 01 925 0568, or
3. Calling Managing Director Mr. Ralph McKay in Sydney on (612) 235 0255.

Option Technology (Europe) Limited
2nd Floor, 30 St. James's Street, LONDON SW1

Career development in a creative credit role

Bankers Trust is one of the world's most innovative and progressive merchant banks. The Bank has an excellent reputation for providing high quality investment and corporate banking services to a wide range of international clients. To support the Relationship Management group, the Bank now seeks two additional

Credit Analysts

You will be part of a small team working closely with the Senior Marketing Officers covering the U.K., Europe, the Middle East and Africa. Your analysis and recommendations will cover both existing facilities and new transactions, as well as opportunities for sale or swap of assets in the Bank's term portfolio.

You must be a graduate with high quality credit training and a minimum of two years' experience gained in a U.S. or international bank. You should be PC-literate and will ideally be fluent in a European language. Energy, adaptability, commitment and the ability to carry increasing responsibility are vital to success in this active role. The Bank offers an attractive remuneration package and excellent career prospects.

In the first instance contact Mark Hartshorne at Michael Page City, on 01-404 5751 or write to him at 39-41 Parker Street, London, WC2B 5LH.

Bankers Trust Company
Merchant banking, worldwide.

Unit Trusts

Head of Administration

Major Insurance Company

We have been asked by a UK Life Assurance Company with most substantial international backing to find a technically skilled manager, who will head up the administration of their own independent group of unit trusts which is marketed by a strong direct sales team.

We seek an outstanding man or woman at senior management level, capable of controlling the entire administration for these trusts, both on and off shore, and who will be able to handle the technical side of the conception and launch of other funds.

The person appointed will accept overall responsibility for control systems, registration and compliance with statutory regulations and will also have joint responsibility for trust and management accounting. The ability to control and motivate the staff required to fulfil these functions, and to handle the current technology is essential.

This management position carries a substantial remuneration package which is to some extent negotiable, and no age limit has been set. Our client's modern headquarters are based to the North of Central London within easy reach of the M25.

Please reply in the first instance to Keith Fisher, quoting Ref. 881, at Overton Shirley & Barry, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Tel: 01-248 0355.

Overton Shirley & Barry
INTERNATIONAL SEARCH AND SELECTION CONSULTANTS

Finance and Administration Manager

Cambridgeshire c£25,000 inc. car

Our client is a long established and ambitious firm of architects, interior designers and town planners, one of the largest practices in the Eastern Region undertaking varied commissions throughout the UK.

A Finance and Administration Manager is required who is capable of making a significant contribntion to the financial management of the practice.

The successful candidate will join the management team and will be directly responsible for:–

- Providing timely and accurate financial and management information;
- Reporting, interpreting and advising on the implications of all financial and management information;
- Developing management information systems;
- The general administration of the partnership.

Ideally applicants will be qualified accountants or chartered secretaries displaying relevant practical experience, aged 30-40, with the ability to install, maintain and up-date computer systems.

Please write with full personal and career details quoting reference CA49 to Andy Swarbrick, Spicer & Oppenheim, Chartered Accountants, Personnel Services, Leda House, Station Road, Cambridge CB1 2RN.

SPICER & OPPENHEIM
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

EUROPEAN ECONOMIST

£30,000 + basic

As one of the City's most prestigious names, our client is a major International Securities house. They wish to expand their economics department and are looking for a Continental European economist.

A minimum of an upper second degree in Economics with a good mathematics bias is required and fluency in at least one European language would be appreciated. Good communicative skills and an understanding of computers are also necessary.

Covering the major European countries, work will initially be geared to the real side of the economies but will develop into a market orientated role.

For an initial talk in confidence please contact Clare Kearns on 01-236 7307. 20 Cousin Lane, London, EC4R 3TE.

STEPHENS ASSOCIATES
SEARCH & SELECTION SPECIALISTS IN SECURITIES & INVESTMENTS

Jonathan Wren
Investment Management Division

INTERNATIONAL FUND MANAGEMENT

£Negotiable

We are currently advising a progressive international investment bank in the appointment of a highly professional fund manager to expand and lead its operations in the fund management sector.

It is envisaged that the successful applicant will have gained a minimum of five years experience in the analysis and recommendation of UK and European equity investments and multi-currency fixed interest instruments, together with a proven performance record to date in these areas. A knowledge of the US and Japanese securities markets, with a particular emphasis on equities, would also be valuable. Strong management and interpersonal skills, along with marketing experience, are prerequisites for this challenging position.

An attractive remuneration package is offered, which should not present an obstacle for the right individual, together with an opportunity to make a key contribution in a 'green field' situation. Contact Anne Fenwicke or Barbara Dabek.

LONDON HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

ANALYST
FAR EASTERN EQUITIES

To £23K + Investment Banking Benefits · Based London

SBCI is one of the world's leading investment banks with a substantial presence in the international capital markets. Through the bank's affiliate, SBCI Securities (Asia) Limited, our position in the Far Eastern Equity markets is a commanding one and we have Brokers and Traders in London, Hong Kong and Tokyo servicing an extensive client base in the UK and Europe.

SBCI now has an opportunity for a young Analyst, ideally with equities experience, to act as deputy to one of the Senior Analysts in the bank's Far Eastern Equities research function. The job will involve monitoring developments in the Tokyo equities market and Japanese economy generally, analysing information, making verbal presentations and providing written reports. The individual we seek will have a good honours degree (ideally with a business/economics orientation), will be computer literate and will have a knowledge of basic statistical techniques. He or she will also have high grade inter-personal skills and the poise and confidence to make presentations. Long term career prospects are excellent. In the short term you can look forward to a salary of up to £23K, comprehensive banking benefits and the opportunity to earn a performance-related bonus.

To apply, please write giving full details of current remuneration and enclosing a curriculum vitae to: Alexander Campbell, SBCI Swiss Bank Corporation Investment banking Ltd, Three Keys House, 130 Wood Street, London EC2V 6AQ.

SBCI
Swiss Bank Corporation
Investment banking Ltd

'FUTURES TRADER'

Long established UK Futures Broker requires a highly experienced trader to manage discretionary accounts. Applicants should be US market orientated and proficiency in Dutch would be an advantage.

Reply to Box A8851, Financial Times, 10 Cannon Street, London EC4P 4BY

Leasing Underwriter c £18,000 + Bonus

Major Co. seeks experienced person.

0903 820770
KP Personnel Agy

Marketing Mgr (Leasing) To £35,000 + Bens

Good exp. in Asset Finance & Leasing etc.

0903 212174
KP Personnel Agy

TRANS AUSTRALIA WALK EXPEDITION SEEKS SUPPORT MEMBER. CALL FFYONA CAMPBELL 01-736 2600

B. Eng - M.B.A. Student
1988 Summer Job Required

Currently M.B.A. Undergraduate Columbia University, after 2 Years Postgraduate Work as Mechanical Engineer.
Finally Returning UK June 1988.
Phone: Aitchison (01) 481 4477

CORPORATE FINANCE
Private Equity Placement

We are retained by a major international merchant bank to assist in the expansion of its corporate finance department. As a global player, the institution has a substantial client base which provides an abundant source of potential investment opportunities.

Whilst continuing to seek institutional investors in venture capital, the bank is now keen to expand its direct equity placement capability for private companies. We therefore seek an individual whose prime responsibilities will be to maintain and develop even further the bank's significant venture capital resources, whilst simultaneously providing an exit route by private equity placements. Reporting directly to the Managing Director of the bank and working closely with the small corporate finance team, this senior executive will undertake the evaluation, negotiation and structuring of both venture and private equity deals for placement with institutional investors.

Applications are invited from energetic, self-motivated, articulate and ambitious executives, possibly chartered accountants or solicitors, with at least 7 years' relevant experience, probably gained within either an international or merchant bank or a stockbroker. Candidates will be expected to demonstrate sound analytical, negotiating and marketing skills supported by evidence of significant direct deal activity and numerous investor base contacts.

The remuneration package is negotiable but will comprise a competitive base salary with a significant performance linked bonus together with an attractive benefits package.

Interested individuals should, in the first instance, either telephone or send their curriculum vitae in strict confidence to **Roy Webb, Managing Director.**

INTERNATIONAL SEARCH AND SELECTION CONSULTANTS

7 Birchin Lane
London EC3V 9BY

01 895 8050
01 626 2150
(Answerphone)

Devonshire Executive Ltd

A member of The Devonshire Group Plc

UK Corporate Finance Managers

These positions offer rare opportunities for two young (27-30), numerate, hard-working professionals with initiative to join an expanding corporate finance team in one of the major Wall Street Investment Banks. Candidates should have a professional qualification and/or an MBA and at least three years' experience in corporate finance, with strong financial, analytical and presentation skills.

The successful candidates will join the UK corporate finance team which focuses principally on merger and acquisition and equity-related transactions. Client contact is an important feature and successful candidates will be responsible for managing assignments straight away. Rapid advancement can be expected as the team grows over the coming years.

The successful candidates will be based in London. Some overseas travel may be required.

Remuneration will be highly competitive with the US Investment Banking business in London and will include a performance-related annual bonus.

Please send your curriculum vitae with details of your current remuneration to: Chris de Boer, Deputy Chairman, Prudential-Bache Capital Funding PLC, 9 Devonshire Square, London EC2M 4HP.

Prudential-Bache Capital Funding

Jonathan Wren
Leasing Division

SALES AID/ VENDOR PROGRAMMES
c£50,000 plus bonus and benefits

The Asset Finance arm of this major international bank, having achieved recognition for sustained growth and increased profitability, wishes to appoint a senior sales aid leasing specialist to spearhead further development of this sector.

The successful applicant will possess substantial experience of vendor programmes in order to enable them to identify, establish and promote a range of financial products appropriate to the needs of manufacturer support schemes in the UK.

He/she will also demonstrate the ability to recruit and motivate an aggressive sales team and possess the management expertise to oversee the administration, systems, and credit functions.

The generous remuneration package is tailored to provide substantial performance related rewards for the successful individual.

LEASING TECHNICIAN
£30,000 to £35,000

Our client, a major financial institution, has become one of the most highly respected names in the asset finance market, mainly as a principal or major participator.

A highly innovative leasing professional (ACA or equivalent) is sought whose current involvement in financial product development has resulted from a sound technical grounding in asset finance.

Applicants, aged 28 to 38 years, will have at least five years experience of structuring complex transactions ranging upwards from £5m, negotiating contract terms and formulating the associated documentation.

The role will also encompass the provision of related taxation/accounting advice, and the development of new big ticket products. Benefits are those associated with a major international bank.

Please contact Jill Backhouse or Peter Haynes.

LONDON HONG KONG SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

IATA

IATA - THE INTERNATIONAL AIR TRANSPORT ASSOCIATION

has an opening for Director, Data Automation Services.

The position, based in Geneva Switzerland, entails managing a team of presently 35 (managers, development and operations staff) in Geneva and Monteal, and specifically:

- working with top airline industry information management executives to help formulate industry strategies in automation-related fields;
- initiating and directing cooperative industry automation projects;
- defining IATA's internal automation policies and managing in-house automation services.

Candidates must have the following qualifications:

- a clear understanding of the major elements of, and developments in, information technology;
- a good knowledge of their existing and future application within the airline industry;
- be dynamic and have proven management experience at a senior level;
- experience of working in an international environment will be an advantage;
- desired age 35 - 48.

Advantageous income-tax conditions and educational allowances exist.

Additional information can be obtained from Mr. Th.O. Schmid, Director Personnel IATA, Geneva (Tel 98 59 51).

Suitable interested candidates please apply to Director Personnel, IATA, 26 Chemin de Joinville, PO Box 160, 1216 Cointrin, Geneva, (Telex 23391, Telefax No. 983553).

Economist

We require an Economist to specialise on the US economy

Ideally, candidates should have a good class economics degree with preference being given to those with a firm grounding in both micro and macro economic principles and having the ability to produce high quality work at speed.

The post offers the right candidate a challenging and stimulating environment in which financial reward and career prospects are excellent.

Please apply in writing, supplying a full curriculum vitae, to:-
Jill Kennard, Personnel Department,
Kleinwort Benson Group,
20 Fenchurch Street, London EC3P 3DB.

Kleinwort Grieveson Securities

INSTITUTIONAL SALES
U.S. EQUITIES
$100,000 +

Our client is a North American brokerage house whose record of outstanding growth is the result of perception, specialisation and hard work.

Their continuing expansion now offers two unusual and extremely attractive career opportunities within their U.K. based sales team.

The successful candidates - male or female, will assume responsibility for the sale of U.S. equities to institutional clients throughout the U.K. and Continental Europe.

Their function will be supported by first class and intensive research. Their effectiveness will be enhanced by frequent direct exposure to the U.S. market and interchange with the group's U.S. offices.

Personal qualities - not least those of commitment and a sense of humour, will be paramount in roles that should appeal to graduates in their late 20's /early 30's who can demonstrate entrepreneurial flair balanced by proven skills in perception and numeracy, developed from 2 - 3 years *experience of institutional selling.*

In return, the two successful candidates will be offered an attractive US$ package comprising a substantial base salary, commission and the prospect of equity.

Please write with your comprehensive CV to: **Christopher Beale, Christopher Beale Associates, 63 Grosvenor Street, London, W1X 9DA.**

Christopher BEALE Associates
MANAGEMENT AND EXECUTIVE SEARCH CONSULTANTS

Williams de Broë

MINING DEPARTMENT SALESMAN

A position is available for someone with experience to supplement the sales effort in our Mining Department, which has a strong analytical team. Mining related stocks in the U.K. such as RTZ, Consolidated Gold Fields and Johnson Matthey are followed closely. North American gold producers and South African gold, platinum and diamond companies are covered. We also maintain a strong link with Australia through our connections with BBL Mullens.

Suitable candidates will be graduates aged 27 to 37 with experience of institutional sales. Fluency in French and some knowledge of mining stocks would be an advantage.

An attractive remuneration package is available. Prospects are excellent.

Apply to: D. Ridley
Williams de Broe Hill Chaplin & Company Limited
Pinners Hall, Austin Friars, London, EC2P 2HS.

SECURITIES CLERKS

Immediate career progression with Britain's leading International Bank.

Due to the continued expansion of our personal and corporate business in the London area, we now have a number of opportunities for Securities Clerks and Advances Analysts.

You will need to have completed Stage I of the CIOB Banking Diploma and be studying for, or have completed, Stage II. We are also looking for charged securities experience and, ideally, proven credit analysis skills. Customer Service is vital to the Bank and you will therefore need to demonstrate customer contact skills and an ability to work as part of a team.

In return, we offer you:

- *Demanding work in a successful, friendly and exciting environment.*
- *Immediate career progression and excellent prospects for further advancement.*
- *An attractive remuneration package including season ticket loan and subsidised mortgage with starting salary between £8,503 and £10,651 depending on your experience and the particular vacancy, plus London allowance of up to £3,000 depending on location.*

So, if you would like to join our team, please write for an application form, giving brief details of experience and current remuneration quoting reference FT to:

CHRIS JOHNSON, RECRUITMENT MANAGER,
BARCLAYS BANK PLC,
PERSONNEL DEPARTMENT,
FLEETWAY HOUSE, PO BOX 256,
25 FARRINGDON STREET, LONDON EC4A 4LP.

BARCLAYS

Barclays is an equal opportunities employer. All applicants will receive equal treatment regardless of sex, race, marital status or disability.

PRO-ACTIVE CREDIT

CITY c£25,000

Demanding role within US securities house. Working in a strong credit area you will be responsible for the production of thorough analyses to tight deadlines, supporting the trading operation. This is a high profile role requiring in-depth credit skills and an outgoing personality. The organisation can offer excellent promotional opportunities in London and overseas.

Ref: SM1079

CREDIT CHALLENGE

CITY c£20,000

US bank wishes to expand its risk management team. Able to work on your own initiative, you will be responsible for the presentation of detailed analyses of European/Middle Eastern corporates, as well as sovereign risk assessment. The role offers great scope to an ambitious individual and career opportunities within the bank are excellent.

Ref: SN1070

To apply for these positions or if you would like a general discussion, please write or telephone Susan Milford, Manager, Management Personnel, 25 City Road, London EC1Y 1AA
Telephone 01-256 5041 (24 hour number)

Management Personnel
LONDON · GUILDFORD · ST. ALBANS · WINDSOR

PROJECT AND ASSET FINANCE

The Project and Asset Finance Division of Security Pacific EuroFinance, the asset based finance subsidiary of Security Pacific Corporation wishes to expand its existing operation.

Project and Asset Finance Division

The division provides primarily medium term debt for the acquisition of plant and machinery and for the funding of projects.

Assistant Vice President - Marketing

The ideal candidate should have good marketing, selling, credit and interpersonal skills. An established track record in either asset based finance or another financial marketing role is required. In this rapidly changing market an aggressive, dynamic individual with a strong sense of commercial acumen is required.

Manager - Marketing

Two vacancies exist. We have decided to augment our existing transactions which fall in the range of £2MM to £20MM plus, with lower value transactions of £0.75MM to £2MM. Whilst initially the successful applicants will probably concentrate on the lower value transactions, they will be expected to be capable of originating, structuring and closing higher value transactions within a relatively short period of time. Candidates should have good marketing, selling and interpersonal skills with an existing track record of originating and closing hire purchase, conditional sale contracts within the range of £0.75MM-£2MM. These positions would particularly suit individuals between the ages of 22 and 25 who are currently employed in a similar role by a finance house.

Assistant Vice President - Credit

Due to the internal transfer to marketing of the existing credit manager, we have decided to seek an individual at a higher level to assume an increased level of responsibility. Candidates should have had a sound credit training, ideally with an American bank and be familiar with documentation, early terminations etc. In addition to supervising an assistant manager, credit analyst and documentation clerk the individual will be responsible for all credit matters relating to the existing Aerospace and Project and Asset Finance Divisions. The individual will also be involved extensively in maintaining account responsibility for difficult and problem credits. The successful candidate is likely to be between the ages of 25-32.

The positions all carry very attractive packages comprising competitive salaries together with good banking benefits and a bonus scheme capable of rewarding the most successful performer.

Interested applicants should contact:
Philip Derby, Senior Vice President, Security Pacific EuroFinance (UK) Ltd
The Adelphi, John Adam Street, LONDON WC2. Tel: 01-930 5141

Security Pacific EuroFinance

A wholly owned subsidiary of the seventh largest US bank holding company with assets in excess of US $74 billion.

PROPERTY FINANCE

The Property Finance Division of Security Pacific EuroFinance, the asset based finance subsidiary of Security Pacific Corporation is seeking additional marketing and credit professionals to join its very active Property Team.

SPEF has developed a reputation as a leader in property finance and has established a solid track record in structuring finance transactions in all forms of development and mortgage, as well as hotel and leisure finance.

The vacancies are as follows:

Marketing Officer

Ideally aged 27 to 35, applicants will be entrepreneurial, with a degree or professional qualification and based upon a solid credit training will have developed first class negotiating structuring and pricing skills within the property area of a leading UK/International Bank. The successful applicant will have a sound knowledge of the UK property market.

Credit Manager

Ideally aged 25 to 30, applicants will possess a degree or professional qualification and will have developed sound credit analysis skills as well as a knowledge of the UK property market with a leading UK/International Bank.

Both positions carry a very attractive package comprising competitive salaries together with good Banking benefits and a bonus scheme capable of rewarding the most successful performer.

Interested applicants should contact:
Jolyon Moss, Security Pacific EuroFinance (UK) Ltd
The Adelphi, John Adam Street, London WC2. Tel: 01-930 5141

Security Pacific EuroFinance

A wholly owned subsidiary of the seventh largest US bank holding company with assets in excess of US $74 billion.

RESEARCHER/ANALYST

Required for a position in the London office of an International Trading House.

Position would suit young graduate with PC experience and statistical background.

The work will involve detailed research/analysis of Sterling and other fixed interest rate markets, with the opportunity to diversify into options.

Experience in financials and some programming experience would be advantageous.

Salary package negotiable.

Full C.V. in strict confidence to Box A0875, Financial Times, 10 Cannon Street, London EC4P 4BY

A FRESH START FOR SUCCESSFUL BUSINESS PEOPLE

Hill Samuel Investment Services Limited is a leader in providing its clients with a complete personal financial service.

We recognize that it takes a very special person to explain these services and to advise our clients on how best to manage their money successfully. We undertake a complete training programme for suitable people.

If you are aged between 25-55, self-motivated and enjoy dealing with people, that person could be you.

Opportunities in London/Windsor and the Bournemouth area.

Contact: W. Quayle,
Hill Samuel Investment Services Ltd,
Hill Samuel House,
2 Thames Avenue,
Windsor,
SL4 IQP.

Tel: (0753) 859019

PHYSICAL COFFEE

London subsidiary of large international trade house require the following additional staff to join a recently established operation in London.

TRADER
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POSITION KEEPER/PHYSICALS SUPPORT
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Sound Working Knowledge P.C. Applications

Remuneration according to age and experience

Apply in writing with full C.V. to

Box A0839
Financial Times, 10 Cannon Street,
London, EC4P 4BY

CORPORATE TREASURE DEALER £50,000

This rapidly expanding Treasury House requires a very high achieving young (late 20s) Client Orientated FX dealer. Excellent communication skills coupled with thorough dealing experience including SWAPs, FRAs essential.

STEPHEN SHANAHAN
430 1551/2653

Dulcie Simpson Appointments
9 Brownlow Street, Holborn,
London WC1V 6JD

LEADING CENTRAL LONDON FIRM

Of Residential Estate Agents (five branches) requires consultant to control Financial Services Department.

Please telephone Stewart Benjamin on 01-387 6566 for an interview.

CITY RECRUITMENT BOOM

17 years of unbroken growth have made Allied Dunbar one of the UK's leading financial services groups.
Our City Region is looking to appoint a number of new Consultants based in London and Kent. Our Financial Management Consultants enjoy superb training, marketing and administrative support.
Average earnings now exceed £24,000 including renewal commissions.
A £6 million TV advertising campaign will ensure that 1988 is our best year ever. Aged 25 plus, have you got what it takes to secure your future? Find out.

Call Ros Hurley on 01 404 4599 or send brief career details to her at
Allied Dunbar Assurance plc,
76/78 Red Lion Street, London WC1.

We are an equal opportunities Group. Applications are welcome regardless sex, marital status, ethnic origin or disability.

International Banking

SPOT FX DEALER to £50,000

Our client, a first rate European Bank, with a high profile in the Foreign Exchange market is currently expanding its Spot Desk. The requirement is for a dealer with a proven record in trading a major currency in an active dealing room. Salary is negotiable and a car and profit related bonus will be offered.

FORWARD DEALER to £30,000 + bonus

One of the World's Top 20 Banks wishes to appoint a dealer with at least 2 years' forward trading experience, to be responsible for the Sterling or D. Mark books. Promotion to Senior Dealer status is expected within 6 months. Similar opportunities exist, in other banks, to trade Forward French Francs, Yen, Sterling, Guilders or D. Marks.

Successful dealers, interested in improving their position, are invited to call Gordon Brown personally to discuss the positions described above, or the many other dealing assignments currently handled.

BANK RECRUITMENT CONSULTANTS. TEL: **01 628 7601** 67/69 LONDON WALL, LONDON EC2M 5TP

Gordon Brown

Senior Credit Officer

c.£40,000

Our Client, a major U.S. Securities House, is urgently seeking an exceptional individual for a demanding and involving role in corporate credit analysis.

Of at least graduate level, you will ideally be US Bank trained and have at least five years' experience with a major Bank or Securities House.

Please contact James Jarratt, Tom Kerrigan Associates, 2nd Floor, 20 Wormwood Street, Bishopsgate, London EC2M 1RQ. Telephone 01-588 4303.

TOM KERRIGAN ASSOCIATES LTD
RECRUITMENT CONSULTANTS

APPOINTMENTS ADVERTISING

For Further Information
Call 01-248 8000

Tessa Taylor ext 3351

Deirdre Venables ext 4177

Patrick Williams ext 3694

Elizabeth Rowan ext 3456

Paul Maravigua ext 4676

Allied Dunbar

You have no doubt seen vacancies for financial Management Consultants advertised and have perhaps wondered exactly what this entails. In a lot of cases it means selling life assurance, pension and investment plans. However, at Allied Dunbar Assurance plc it means a lot more.

We are in a unique position to offer our clients a complete integrated range of financial services including portfolio management.

Consequently we require people of integrity to train for a career in this wider sphere of financial management consultancy.

We are are an equal opportunities Group.

Telephone Ruth Fay on 01 404 4599

Leicester Polytechnic

Faculty of Business

School of Economics and Accounting

Research Assistant

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Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as a security held by him (unless that other person is subject to a bankruptcy order or in liquidation)

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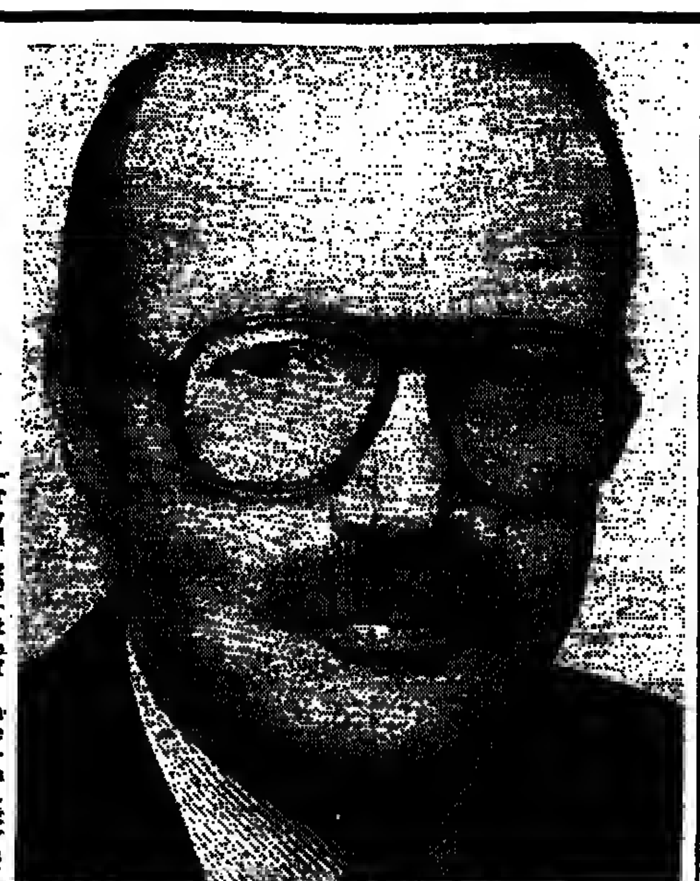
MANAGEMENT

Siemens

UK drive reflects international shift

Terry Dodsworth reports on the West German electronics group's long-term strategy



Jurgen Gehrels: Siemens was convinced that the Thatcher government had achieved a genuine change in the economic environment

BACK AT THE end of the 19th century the Siemens electrical group was bigger in Britain than in West Germany, the home of its founding family. Indeed, the UK activities had become so well entrenched in Britain during the heady days of Victorian industrial expansion that William Siemens, one of the two brothers running the group, was knighted by Queen Victoria.

"I have told my people that my objective is to get back to where we were in the old days," says Jurgen Gehrels, chief executive of Siemens Ltd.

Gehrels, 52, *is in charge of* a drive into the UK market which has already begun to yield dividends for the West German company. Five years ago, Siemens' turnover in Britain amounted to £71m. By last year, this had jumped to £225m, a figure which Gehrels hopes to double by 1991, on the eve of the European Community's plans for bringing about industrial integration in the region.

The move into Britain has up to now been directed in a typically low-key fashion, but it nevertheless marks a crucial step in the group's change of emphasis in its international growth. Until well into the 1970s, Siemens' strength overseas was in other German-speaking countries and the developing world, with a heavy *bias towards the sale* of capital goods equipment — power generating products and the like — through direct exports.

Since then, the company has shifted to a policy of expansion in developed industrialised countries. It believes that a large part of its future lies in high technology goods which are typically originated and sold in sophisticated markets.

To compete, the company needs to tap into technology in every important development area in the world; and it also needs to apply local software skills as products become less hardware-based.

In the US the policy has already led to the development of a business with annual sales of $2.6bn in the last 10 years, and Japan is clearly under consideration. The turning point in Siemens' attitude to the UK, says Gehrels, came about four years ago when the company became convinced that the Thatcher Government had achieved a genuine change in the economic environment.

"Britain has become a more open market, accessible to foreigners in a way that is similar to West Germany. Setting up manufacturing facilities here has also become more reasonable because of the changing attitudes between employers and unions. *And Britain is expanding.* When we compared the figures on economic growth for our corporate plan, they showed that the UK's expansion over the last five years has been greater than West Germany's."

Since arriving in the UK following a spell establishing Siemens' factory automation business in the US, Gehrels has developed a multi-pronged approach to expansion.

The group's activity in Britain is being clearly directed to high technology areas, where growth is above average, and where the development of new techniques gives Siemens the opportunity to open up fresh markets.

Gehrels believes that Siemens should not go head-on against well-established British competitors in established product areas.

"Being a latecomer it does not make sense to engage in businesses where our main British competitors have a very established position."

Within these high technology areas, Gehrels wants to focus hard on a few key markets rather than, as he puts it, "go chasing rabbits." The aim is to become either market leader or in the top three companies operating in these sectors.

In one of them — medical equipment — Siemens believes that it is already leading the field in the UK, and it is also a significant player in factory automation. It has much further to go in the other three: data systems and communications, where it is competing against the dominant US computer groups; electronic components, where its semiconductor business is struggling in a highly competitive environment; and telecommunication networks, where it has achieved some breakthroughs with British Telecom and Mercury, but where it will take time to establish the long-term relationships typical of the industry.

The principal medium-term business objective is to increase market share rather than to maximise profits. Gehrels is trying to maintain a tricky balance here. On the one hand, he is stressing the need for higher productivity and the need for cost restraints as the basis for self-funded growth. (Although there may be some capital injection from West Germany over the next few years, the British unit will finance a lot of its own growth.) But he argues that in this phase of development productivity is inevitably low because of the start-up costs of establishing new businesses.

Indeed, while the UK company is aiming for sales increases of around 20 per cent a year and productivity growth of about 8 per cent, the target for the profit return on sales — given the expected costs of expansion into new areas — is no more than 1 per cent a year. This is a figure which has not always been achieved in the last five years despite an overall profit for the period.

There will be further heavy investment in both design and manufacturing facilities in the UK. Siemens is aiming to spend about £70m in Britain over the next four years, compared with £50m over the last five, expanding its 8,000-strong workforce in the process by 1,000. A new £15m project announced recently in Manchester demonstrates the approach. Creating about 300 new jobs, this complex will be devoted mainly to design and software facilities, allowing expansion of the company's Congleton manufacturing plant in Cheshire.

Underlying this emphasis on software products is the trend in technology-based markets towards closer relationships between customers and suppliers. Telecommunication networks and factory automation systems, for example, can rarely be sold as off-the-shelf packages. They need to be adapted to specific requirements by locally-based technicians.

There will almost certainly be some acquisitions to supplement organic growth. Gehrels believes that, with the momentum now running in the company, Siemens can reach its £500m sales target by 1991 without buying other businesses. But there could be acquisitions as well, he says, directed mainly at gaining market share. "There are some areas where I don't think we shall be able to achieve our objectives just by organic growth alone."

This approach has already been employed to give the group more penetration in some areas. The acquisition of Norton Telecommunications, for example, has given the company an entree into UK private telephone exchange equipment distribution, allowing Siemens to expand rapidly its sales of smaller capacity switching systems.

Indeed, over the longer term, one element of Siemens' strategy is to manoeuvre itself into a strong enough position in Britain to become a natural partner for UK companies in world markets.

Because of its broad base in the rest of Europe, the US and large parts of the developing world, it could be an attractive collaborator, while the UK companies could themselves deliver some useful markets both at home and in other parts of the English-speaking world.

It is partly this convergence of interest that has led to the recurrent speculation that Siemens may be a bidder for a leading British electronics company such as Plessey or STC. Gehrels concedes that the group is, indeed, doing plenty of talking to potential allies in the UK. But he emphasises that this is all part of a long-term strategy.

"Siemens is not a company which looks at things short term," he says. "I don't know when any deals may happen, but I am quite sure that most of our British competitors that have concentrated largely on the UK market will have to look for partners outside the UK."

In the telecommunications network business, he adds, Siemens is aiming to establish a working relationship with BT and Mercury so that it can be a credible supplier for the next generation of public switches. "It may be that by that time some British companies will have decided to team up with us."

Business plans for accountants

Partnership under pressure

Richard Waters explains why medium-sized firms need modern strategies

WHEN Moores & Rowland decided to draw up its first-ever business plan late last year, *the disciplines of the* planning process brought home a number of facts that it had not faced up to before. For instance, M&R, a national firm of accountants with a turnover of around £20m, discovered that some of its partners may not fit its new business strategy, and that the partnership structure itself may be a thing of the past.

Many such smaller accountancy firms are catching up their large brothers and beginning to realise that they are in need of better management, more cash and a sense of direction if they are to retain and strengthen their position in the financial and professional services market.

It was its potentially vulnerable position in the middle ground which led M&R, which was formed in a defensive merger four years ago, to take stock of itself.

According to its business plan, M&R's independence — and that of similar firms — depends on their ability to "improve their internal management, to maintain or improve the quality of their services and to generate the resources they need to meet the increasing demand for specialist services." That is a demanding list for a medium-sized practice in a tough market.

Setting financial targets for individual offices and partners was at the heart of the plan. Since accountancy firms do not disclose their profits, the clearest indicator for the outside world of their success is the amount of fees earned for each partner.

M&R's partners are each responsible for around £230,000 of fees each year. The target is to get this up to £300,000 by 1990. This leaves the firm with the choice of getting more out of its partners — or getting rid of some.

"We feel we should have a few less partners for the number of staff. But it doesn't mean we will go and shoot some," says Victor Clements, the firm's managing partner. Reducing the retirement age from 65 to 60 is one likely way of achieving the right ratio.

Partners are also to be made more accountable to their peers than they have been in the past. The days of a partnership being a meal-ticket for life are over.

A particularly close eye will be kept on man-management skills. The firm's business plan expresses "particular concern" about the "variations in partners' counselling, motivation and communication skills". A formal process of partner assessment has already begun.

Another accountancy firm formed in a defensive merger four years ago, Hodgson Impey, also produced its first business plan late last year and reached the same conclusions about the ratio of fees to partners.

According to managing partner Barrie Clatworthy, partners have to be freed of their administrative and lower-value work in order to be able to "get out there and get new business in". Developing products which partners can sell is the way to increase turnover on the same cost base, he says.

Ructions

This implies some big cultural changes in the firm. "Retraining the middle-aged partner is a very difficult task," admits Clatworthy.

While these reviews are bound to cause ructions in their respective firms, financial constraints could finally overturn their partnership structure altogether.

Partners are the only source of equity capital at the moment, with each one putting up roughly the equivalent of his or her annual profits as a capital commitment. Rapid growth and specialisation in new areas of business is putting this arrangement under pressure.

"We have enough working capital to meet the growth," says M&R's Clements. "But we have to be aware of what will happen two or three years down the line. We have just started on an exhaustive examination of the implications for the firm of information technology. We perceive it to be very expensive over the next few years."

Partnerships may eventually be forced to turn themselves into limited companies to raise the *capital they will need*, says Hodgson's Clatworthy.

This is likely to be possible from 1990, the expected date that a new companies bill will come into effect. Under present proposals, accountancy firms would be able to sell up to 25 per cent of their shares to outside investors. To ensure the independence of auditors, the shares would carry no voting rights.

This may make the shares unattractive to many investors. But institutions like Investors in Industry (3i) say that they are not put off by the voting restrictions. 3i has already lent £70m to 150 professional firms, and says it would consider equity investment in the future.

"As a minority shareholder, it's a reality of life that you don't have much control," says Dereck Sach, a 3i director.

Alongside the attention to the financial guts of the firm, M&R has imported new marketing skills. It is currently reviewing its product range and analysing its customer base.

Says Clements: "We know about our individual clients. But we don't have a snapshot of the practice, to see who the clients are and where we are making money. We ought to examine our practice, to see what we are doing and how profitably." The result could be the shedding of less profitable work to free partners to pursue higher-value business.

The information on customers will form the basis of a marketing plan, on which the rest of the process depends. M&R has identified its position in the market and its aspirations: the marketing plan should provide the crucial link between theory and practice.

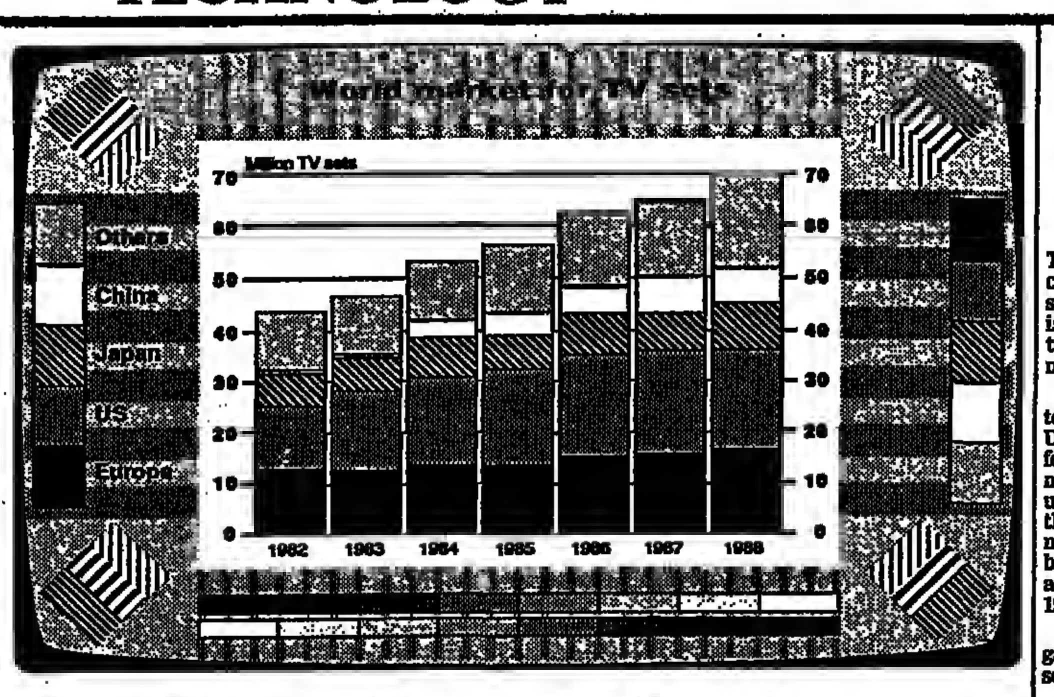
There is a final important area singled out for comment in M&R's business plan. "Budgetary controls and financial accounting must of necessity become more sophisticated and more strictly enforced."

Many businessmen will have read similar comments in letters from their auditors. It should come as no surprise that accountants themselves have not been immune to lax planning and financial control over the years, though some are taking drastic steps to put things right.

TECHNOLOGY

Whose hand will be on the horizontal hold?

Jane Rippeteau examines Europe's challenge to Japan in a complex fight over the next generation of TV products



THE ENGINEER wearing jeans sits at his cluttered workstation, *leans back in his chair, and* takes a slow pull on his cigarette. He is staring at a small metal block covered with pins and wires and mounted in a metal clamp attached to his desk.

"Mostly," he says, when asked what he does, "I think."

Currently his mind is concentrated on a little piece of a major home entertainment system of the future: a new kind of television that will present images virtually as sharp as those in a 35mm motion picture.

The crisp images, much easier to see than those on conventional sets, will have double or more the number of horizontal lines that now make up a television picture. The pictures will appear on a wider screen, with hi-fidelity stereo sound, and a special chan*nel for data. They will constitute* high-definition television, or HDTV.

The engineer is one of seven seated at a cluster of workstations in a brightly-lit development laboratory at the Dutch electronics giant N.V. Philips at Eindhoven, in The Netherlands. He is among some 160 such workers at Philips and is part of a 600-strong army of researchers and engineers working on the technology in 30 different companies across Europe.

They make up the European challenge to Japan in a complex global fight over the future of television technology. The outcome will affect TV sets, broadcasting and production equipment. The £210m, three-and-a-half year project, headed by Philips, is the HDTV programme of Eureka, the 17-nation European co-operation project in high technology.

"The stakes are huge," says an American executive, warning: "He who controls the system will control future TV sets and everything that goes with them." The TV market in the US alone still amounts to some 20m units a year. Despite the fact that 96 per cent of US households have a TV, the market remains healthy as consumers purchase replacement sets and buy new TVs to meet the expanding uses of televisions in the home.

Philips, Thomson, of France, and their European colleagues, having watched the Japanese nearly annihilate the Americans in the consumer electronics manufacturing business — Zenith is the only major American-owned TV set *maker remaining* — are determined to forestall a similar takeover in their own backyard.

Much hinges on the battle over the next generation of television technology, and Japanese manufacturers have taken the initiative by proposing a new world standard based on their own designs. "That," says Peter Groenenboom, managing director of Philips International Consumer Electronics and Video Display Products, "will not happen. We will not allow it."

The Japanese, however, are pressing ahead with a system that would require consumers to purchase new TV sets and would usher HDTV in quickly and radically, although at high cost (estimates are around £1,200 to £1,500 per set, plus new broadcast and *production equipment*).

The Europeans with, they believe, the sympathy of American consumers unwilling to see their investment in 140m TV sets made obsolete, want an evolutionary approach. This would allow new HDTV broadcasts to be received on old-technology TV sets (without, of course, the higher definition) much as colour TV transmissions can be viewed in black and white on old sets.

'A wholesale switch in TV technology cannot be foist upon the consumer'

In the US, GE/RCA Consumer Electronics, now owned by Thomson SA, the French nationalised electronics company, has also proposed a format called the Advanced Compatible Television System that would also work with existing sets.

The situation in the US is further complicated by the earthbound (or "terrestrial") nature of broadcasting. Although cable can carry HDTV, terrestrial systems do not have enough bandwidth to accommodate the huge transmission capacity demanded by the technology; Europe and Japan will not have that limitation because they are shifting to satellite transmission.

"The Japanese approach would be too expensive for the consumer. We say we need compati*bility with the past," states* Piet W. Bogels, director of the consumer electronics product division at Philips International, and also president of the Eureka HDTV Directorate. The Japanese tactic, he adds, could also spoil current business while consumers wait for the new format to appear.

Still, tha Japanese, together with Philips, have proved once that they can wean consumers to all-new products. The Japanese plan mirrors the approach taken by Philips and Sony when compact disc technology was introduced to the world of hi-fidelity sound. CD players are incompatible with the old long-playing record machines, so consumers switching to CD have to buy special CD discs and are unable to play *their old LPs on CD players.*

Yet buy they have. After a slow start, CD audio has become a major consumer electronics success. "It has been the fastest-growing consumer product ever," claims Frits Schuitema of Philips' consumer electronics group. CD player sales hit 14m last year, and will reach 30m units sold annually by 1990, he estimates. A market penetration of under 10 per cent so far in the US and Europe, some 15,000 titles now available on CD, and falling disc prices are fuelling the boom, he says.

Nevertheless, Philips is stubbornly persistent that such a wholesale switch to a new technology cannot be foist upon the consumers in the television market.

The reasoning, says Bogels of Philips consumer electronics, is that the relative improvement in picture quality between conventional TV and HDTV is far less than is the sound quality difference between LP and CD technologies. "Hi-fi to CD audio was a 20 decibel improvement, a factor of 40 per cent," says Bogels. Since HDTV simply doubles the number of lines per screen, the effect is less overwhelming, he says, adding: "If you hava a small improvement, you have to have evolution not revolution."

Not everyone agrees with this viewpoint, which minimises the promised impact that HDTV will have on television picture quality. Still, an evolutionary approach to digital picture-enhancement is expected to take hold quickly. BIS Mackintosh, market researchers, predicts a quarter of homes in some leading markets will have "improved-definition" television by the 1990s. Snch equipment will draw heavily on digital processing and compression techniques to boost picture quality.

Bogels and his group will not finally propose their world HDTV standard until the 1990 general assembly of the CCIR, an international body that allocates bandwidth for satellite and earth broadcasting.

At the moment, the Europeans are debating two different proposals. As Groenenboom points out, with the unified European market scheduled for 1992, "it would be ironic if we were busily engaged in dividing into new and different camps in TV broadcasting."

An interim step towards better quality television will be taken in Europe this autumn, however, when three new satellites will transmit programming that makes use of digital technology to enhance picture definition and sound quality.

Consumers will be able to buy decoders to receive the programming through existing TV sets. Such direct satellite-to-home transmission was to begin in January from the West German TVSAT1. But that satellite failed to deploy the solar panels it required for power, and was lost.

The technology behind the enhanced pictures consumers will see this autumn is the same as that fuelling the advent of HDTV: the digital revolution, which is now pervading every aspect of consumer electronics hardware.

Because television signals can now be digitised, that is, converted from their analogue wave form into the ones-and-zeros of the binary language of the computer, they can be manipulated in advantageous ways.

The 600m television receivers in homes around the world today are technically limited in the pic*ture quality they can provide.* In the US, under the 40-year-old National Television Standards Committee (NTSC), a picture on a television screen is made up of 525 lines, called scanning lines. Japan adopted a similar format. Europe's system has 625 lines per screen.

The US could still hold a trump card in that it dominates programme making

HDTV would provide roughly double the number of lines (just how many is one problem of the worldwide standards issue). But to do that, e great deal more digital information must be piped down the transmission system, whether through the ground by cable, across land as in terrestrial broadcasts, or through space by satellite. HDTV puts a big strain on the system; its capacity demands are about 10 times that of conventional television broadcasts.

There is also a strain on the TV set, as Bogels of Philips explains. The HDTV production standard calls for creating a picture at 30 megahertz (one hertz is one wave per second), which is equivalent to 35mm film. Today's NTSC TV set handles about 6 megahertz, and an HDTV set would cope with only about 10 megahertz.

Digital technology can ease the problem. One of the most helpful ways in which the digital signal can be manipulated is that it can be compressed. Simply put, extraneous and repetitive information can be filtered out. For instance, any point of *a picture that* does not change from one frame to the next can be stored in memory, held on the screen, and not retransmitted until it does change.

The development of this technology is one of the key projects of Philip's slice of the Eureka HDTV programme. At Philip's development lab in Eindhoven, two engineers are constructing a mock-up of an eventual electronic system to carry out such signal compression.

A row of five man-sized metal boxes standing on end are stuffed with electronic circuit boards. Eventually, they will be shrunk to the size of a large book. The device will have the job of filtering out repetitive television signals so that more can be packed into the same slice of airwaves.

The unknown factor in how the HDTV battle between Europe and Japan will develop is the influence that TV programming will have on which system consumers want to buy. After all, to consumers, the excitement of television is the picture, not the set itself. The US has relinquished the margin-squeezed hardware slice of consumer electronics to others, but could still hold a trump card in the fact that it dominates TV programme making.

In tomorrow's Technology Page, Carla Rapoport explains how, while the standards debate rages in Europe, Japanese manufacturers are pushing ahead with product development and marketing of HDTV in a wide range of areas.

More fuel for the Risc bandwagon

BY TERRY DODSWORTH, Industrial Editor

TWO BIG announcements in two consecutive days this week gives some idea of the momentum that is gathering behind the trend towards reduced instruction microprocessors.

*Motorola, the US semiconduc*tor manufacturer, and ICL, the UK computer group, are very different animals. But their commitment to this emerging technology undoubtedly reinforces the view that the new chips are set to make a significant impact on both the semiconductor industry and the computer systems of the 1990s.

The bandwagon has started to gather pace for a mixture of reasons.

First is the issue of processing speed and cost. Chips using the Reduced Instruction Set Computing (Risc) concept are designed to operate faster than conventional microprocessors by cutting the number of instructions required to drive them; and because the chips are designed to concentrate on fewer instructions, there is more space available on them for other functions, thus reducing costs and giving a further push to miniaturisation.

Making this idea work is, of course, a complex technological challenge, but in the last two or three years research scientists have come up with workable solutions, not least at Motorola, the world's leading producer of 32-bit microprocessors.

Gary Tooker, Motorola's chief operating officer, makes it clear that for the time being the company sees Risc products as an alternative to its established conventional microprocessor range. But the company clearly believes that it needs to be abreast of Risc to keep a step ahead of competitors such as Intel and National Semiconductor.

The company started work on the idea a little over two years ago, and reckons it has spent around $100m overall since then in research and production line investment.

It has also developed a wealth of subsidiary software support and has created a rapidly-expanding customer base. By 1992, Motorola is forecasting that Risc sales will have risen from about $40m in 1987 to $325m, while in terms of units, Risc could be taking about 20 per cent of a market estimated at between 20m and 25m individual microprocessors.

The second issue concerns standards, one of the main points behind yesterday's announcement from ICL. Risc chips are essentially aimed at the rapidly-growing market for mid-range computers, the machines that drive departmental systems tied together in networks of desktop screens.

Because these systems link a number of different products together, there is a big drive in the industry for common standards that will make computers from different manufacturers work together more easily — and some companies see Risc as an opportunity to achieve more commonality.

ICL's initiative will give it licencing agreements with both American Telephone and Telegraph and Sun Microsystems, the US partners in a move to develop a new approach to building Risc chips.

The idea behind the American collaboration is to develop design principles for Risc that can be used by different chip manufacturers, but which will have a common base on which to build the computer systems around them. This will link in with refinemants in AT&T's Unix operating system, already becoming established as the basis for a common standard in departmental computing.

ICL is the first European computer manufacturer to commit itself to the AT&T-Sun project. In doing so, it is undoubtedly chancing its arm a little. But its aim is to try and bounce other European producers into a further commitment to common systems before American companies run away with the game.

Peter Bonfield, chairman of ICL, would, for example, like to see European semiconductor manufacturers move into Risc production, thus giving European computer companies en alternative to US suppliers and a hedge against the dollar.

Whather this strategy works when pitted against the weight of the American computer industry is another question. A number of other US groups, including Xerox and Unisys, have already lined up alongside AT&T and Sun, and if this approach to Risc is successful, they could be the big beneficiaries in Europe as well as at home.

This would be all the more galling to the Europeans, who have put considerable effort into developing common standards partly as a means of countering the strength of the US computer industry.

FT LAW REPORTS

Directors unfit to trade disqualified

RE MAJESTIC RECORDING STUDIOS LTD AND OTHERS
Chancery Division:
Mr Justice Mervyn Davies:
March 25 1988

DISQUALIFICATION OF a director is appropriate though his involvement in the irresponsible conduct of company affairs was peripheral only, if he has shown himself unfit to trade with the benefit of limited liability in that he shirked his duties as director of more than one company by leaving everything to others.

Mr Justice Mervyn Davies so held when disqualifying Mr David Anthony Heath-Hadfield and Mr Michael Clayton Collier from holding directorships for three years and five years respectively. The order against Mr Collier was made with certain provisos. The applications for disqualification were made by the Official Receiver.

Section 300 of the Companies Act 1985 provides: "(1) The court may make a disqualification order against a person where . . . it appears . . . that he –

(a) is or has been a director of a company which has at any time gone into liquidation . . . and was insolvent at that time, and

(b) is or has been a director of another such company which has gone into liquidation within five years of the . . . first-mentioned company . . .

and that his conduct as director of any of those companies makes him unfit to be concerned in the management of a company."

HIS LORDSHIP said disqualification orders under section 300 of the Companies Act 1985 were sought against Mr Collier and Mr Heath-Hadfield.

Compulsory orders had been made within five years for the winding up of five companies, Majestic, Hadmor, Enterprises, Clayton's Administration and Clayton's Enterprises. All were insolvent.

Mr Heath-Hadfield and Mr Collier were directors of Majestic, Hadmor and Enterprises. Mr Collier was also a director of Clayton's Administration and Clayton's Enterprises.

It followed that the conditions in section 300(1)(a) and (b) were satisfied.

The question was whether the conduct of Mr Collier and Mr Heath-Hadfield as directors made them "unfit to be concerned in the management of a company."

In considering the question the court had an unfettered discretion, which involved considering their conduct in relation to the insolvent companies, and any other matters which appeared relevant.

Majestic ceased trading in January 1984 with gross liabilities of £97,028, a deficiency as regards creditors of £72,028, and Crown debts of £12,171. The only directors since 1980 had been Mr Collier and Mr Heath-Hadfield. No annual returns had been filed and no audited accounts had been prepared since the year ending March 31 1981. No statement of affairs was issued following the winding-up order, and Mr Collier failed to attend on the Official Receiver.

Hadmor ceased trading in January 1984 with gross liabilities of £345,583, deficiency of £345,583, and Crown debts of £43,829. Mr Collier and Mr Heath-Hadfield were the only directors. Accounts for 1982 were produced showing negative balances on the profit and loss account. No further accounts were prepared. No returns or accounts had been filed, nor was there a statement of affairs. Mr Collier failed to attend on the Official Receiver.

Enterprises ceased trading in 1984 with gross liabilities and deficiency of £81,808, and Crown debts of £67,691. Since 1975 Mr Collier and Mr Heath-Hadfield had been the only directors. Accounts were prepared for 1981 and 1982 showing losses of £36,541 and £31,895. No annual returns or accounts had been filed since March 31 1980. No statement of affairs had been lodged.

Clayton's Administration ceased trading in September 1984 with gross liabilities and deficiency of £53,328, and Crown debts of £23,652. Mr Collier was a director. In September 1984 the Customs and Excise ceased the company's stock for non-payment of VAT. No accounts had ever been prepared.

Clayton's Enterprises was wound up on January 1985, with gross liabilities and deficiency of £71,427, and Crown debts of £39,240. Mr Collier was a director. No accounts were ever prepared.

The position appeared to be that Mr Collier, through Majestic, operated a recording studio at his own premises in Clapham in about 1970. Mr Heath-Hadfield became responsible for the equipment at the studio and was made a director in 1980. In 1980 they embarked on making television programmes using Hadmor Productions.

In the meantime Mr Collier, through Enterprises, was operating a bingo club at the Clapham premises. Mr Heath-Hadfield was co-director but as such his position seemed to have been nominal.

Mr Collier, through Clayton's Administration, also operated the Greyhound public house at Croydon premises owned by Morton Music; and, through Clayton Enterprises, he operated the Cinatras Club at other Croydon premises which he owned.

In addition to the five companies under consideration, the court was told of six other companies in which Mr Collier had been concerned.

Overall the gross liabilities of the five companies was £649,175. Of that sum £186,599 was owed to the Crown for PAYE, VAT or NIC, and £467,576 to other creditors.

Mr Heath-Hadfield's case was that no order should be made.

That was a bold course in face of the facts (a) that the three companies in which he was concerned were wound up with liabilities of £499,420, of which £123,691 was retained Crown money; (b) that accounts and annual returns were not sent in; (c) that he failed to submit a statement of affairs for either Majestic or Hadmor; and (d) that he knew or ought to have known that Hadmor continued to trade when insolvent.

Mr Heath-Hadfield accepted that he was an executive director of Majestic and Hadmor, but said he was not involved in the running of Enterprise. He said he had no concern in financial affairs, which were left to Mr Collier. He did not know why returns and accounts were not filed. He submitted that in respect of all three companies his conduct was peripheral to financial matters, but he was not in breach of commercial morality, and had not shown such a lack of care as to bring himself within section 300.

Having considered the evidence and seen Mr Heath-Hadfield in the witness box, the court was quite satisfied that at present he was not a person who should be entitled to trade with the benefit of limited liability.

Two references in the authorities were appropriate.

In *Drincqpier v Wood [1899] 1 Ch 393, 406* Mr Justice Byrne said: "It should be understood that a director . . . has assumed a position involving duties which cannot be shirked by leaving everything to others."

And in *Stanford Services [1987] BCLC 607,619* Mr Justice Vinelott said: "The public is entitled to be protected, not only against the activities of those guilty of the more obvious breaches of commercial morality, but also against someone who has shown in his conduct of more than one company . . . a failure to . . . observe the duties attendant on the privilege of conducting business with the protection *of limited liability*."

In deciding whether to make a section 300 order the court was entitled to take into account events since December 30 1985 when the present summons was issued, as well as the misconduct which supported the application (See *D. J. Matthews, unreported, November 6 1987, Mr Justice Peter Gibson*).

This was a case in which to order a period of disqualification. The appropriate period was three years.

After the failure of Hadmor Mr Heath-Hadfield acquired an estate agency business. He could very well carry on his estate agency in his own name without the benefit of limited liability.

Mr Collier accepted that the court was in a position to disqualify him. He did not oppose the order if only it allowed him to act as director of one company, Morton Music.

He had acted irresponsibly, and was unco-operative with the Official Receiver.

On the other hand, the court accepted that Morton Music survived, and had done so since 1972. It appeared to be paying its debts as they fell due. Its management was keeping better records and there was a promise, backed by the accountant, of up-to-date accounts. It was said that Mr Collier was the moving spirit at the Greyhound and without his presence its future, his livelihood and the jobs of 55 employees would be in jeopardy.

Mr Collier was disqualified for five years with the proviso (1) that he should be allowed to continue to act as director of Morton Music (but no other company) with an independent chartered accountant, approved by the court, as co-director; (2) that audited accounts for Morton Music up to year ended March 31 1987 were filed before May 31 1988.

For the Official Receiver: Elizabeth Gloster (Treasury Solicitor).

For Mr Collier: William Blackburne QC and David Marks (Nutt & Oliver).

For Mr Heath-Hadfield: David Marks (Nutt & Oliver).

By Rachel Davies
Barrister

Television/Christopher Dunkley

Fantasy, hypocrisy and vérité viewed

For a while it looked as though Michael Grade's first action upon taking over Channel 4 had been to axe *Ghosts In The Machine*, which would have been a disgrace because this is the only outpost of video art anywhere on British television. Happily it turns out, however, that the series was being moved, not dropped, though its new slot – unhappily – is at midnight on Tuesdays. Trying to define "video art" is both difficult and unrewarding: some of the current batch eschew narrative, some don't; some use weird electronic effects, some don't; some are embarrassingly pretentious, others (like last week's "Matt Blackfinger" featuring James Bonk, an 006 extravaganza peopled solely by clockwork toys) are childishly amusing.

The common denominator, I suppose, is an interest in exploiting and expanding the raw material of this medium: pictures and sound as achieved via electronics. Like paint, they can be used in a figurative, impressionist, abstract or symbolic manner. As with painting, the significance of the outcome sometimes depends wholly upon the surface appearance, sometimes entirely upon that which is depicted, but usually upon both.

Last night's offering, "Accidents In The Home," was the sort of thing which gives the genre a bad name, but there are several still to come which are worth waiting for. "Les Falaises d'Esnandes" is a bewitching ballet, videotaped on a muddy shore, with modern dance worked into the very landscape. "Water Work" is shot partly above and partly below the surface of a swimming pool and achieves wonderful effects with air rings (like smoke rings) blown under water. And "The World Within Us" is a video fantasy with the powerful atmosphere of a Rudkin drama.

*

The uniform Goody Two-Shoes reaction to the BBC's experiment in racism, *Black And White* is a little wearing. Of *course* racial discrimination is loathesome, and of *course* we realise that all the commentators are themselves paragons of all the virtues, but the astonishment and horror some of them have expressed simply prove their extraordinary naivety. What did they expect would happen when one black and one white man went to look for jobs, accommodation and recreation in Bristol?

One television critic reported on Sunday that "The results, recorded by a small camera hidden in a hold-all, were almost uninterruptedly bleak." Well of course they were: when three golf clubs out of four failed to discriminate, producer David Henshaw showed us only the one that did; when 18 people were approached about letting accommodation to the black man 13 did not demur but we saw only the three that did. And so on. It was not Bristol or the men's experience that was uninterruptedly bleak, but the programme.

The invidious implication was that this was news in the sense that Britain, or at any rate Bristol, was somehow different from the rest of the world. Yet the same journalistic stunt could be pulled in numberless cities. Take New York, so memorably referred to by good old anti-racist presidential hopeful Jesse Jackson as "Hymie Town:" what do you suppose would happen if instead of hunting for jobs in the pubs of Bristol a black and a white man looked in the fast food diners of Harlem?

Searching in the suburbs of Calcutta for accommodation you would not even need to be different colours or different races to suffer from discrimination, only different castes. Do the shocked onlookers of the Bristol experiment imagine that an Arab and a Jew would receive equal treatment throughout the night clubs of the middle east? How would the Bristol pair fare in middle class Sydney? In Alabama? Applying for membership of an Argentine polo club?

The entire *Black And White* exercise put one in mind of a national newspaper announcing "Bristol Dog Bites Man!" and reporting the occurrence in tones of astonishment and outrage. No doubt the world would be a simpler place if we were all born khaki hermaphrodites, but we are not: we are born into a particular sex, and a particular race, possessing self awareness moreover. Furthermore we seem to have a universal instinct for forming exclusive groups based upon everything from gender to philosophy, whether it is the Beefsteak Club and the Girl Guides (how dare they exclude boys) or the Labour Party and the Church of England where you can be debarred for merely thinking the wrong thoughts.

Human beings are a nasty lot, but the suggestion that Bristolians are abnormally nasty looks like shoddy journalism.

*

Ben Elton appears to have decided that what is good enough for Jasper Carrott is good enough for him, and begun attacking the Sun. The gist of his message in last week's *Friday Night Live* was that it is OK for intellectuals and art enthusiasts to enjoy looking at pictures of naked women in art galleries but quite another thing when it comes to Sun readers and Page 3. This seems a peculiarly discriminatory argument to come from a man usually so keen on parading his egalitarianism, but that was not the most notable aspect of the attack.

As with Carrott, so with Elton, it was the cheering and clapping of the audience which was so interesting. The Sun is Britain's most popular newspaper, and its readers must overlap substantially with the very people who give television its biggest ratings. Simple arithmetic suggests that a fair number of those in Elton's audience are likely to be Sun readers. Either those who form the studio audience are completely unrepresentative, or those who read the Sun are staying quiet and being drowned by the others . . . or there is an awful lot of hypocrisy around.

*

The BBC's expansion of the old *Police Five* idea into the 50-minute monthly event called *Crimewatch* has, judging by its own claims, been a remarkable success: witnesses come forward, suspects are identified, stolen property is spotted. There is just one major defect: *Crimewatch* is the most frighteningly violent programme on British television, and quite needlessly so. Every edition is flawed by the vividly realistic re-enactment of some peculiarly horrible crime.

Last week's edition featured two: the burglary of a house occupied by two old ladies, and the attack on a security guard at home and the holding of his wife as hostage while he delivered a van full of money to the gangsters. It seems that this particular gang wore fright wigs and rubber masks, and so the BBC "dramatisation" showed this, complete with all the authentic threatening language.

This is far more terrifying than any cowboy or crime series precisely because it is "real;" it shows not the fictional Kojak or Rockliffe facing fantasy villains, but people like the viewers themselves whose homes, more often than not, have been invaded by real criminals of real violence. It is clear that the producers realise how frightening this is because poor Nick Ross is required to end every programme by uselessly urging the audience not to have nightmares.

Given its unusual "vérité" status, it would not be surprising to learn that *Crimewatch* had contributed more than any other factor to the rapidly escalating fear of crime in our society. Ross's assurance that such crimes are exceptionally unusual is doubtless wholly ineffectual compared to the effect of the dramatisations upon fearful viewers. And the appalling thing is that such re-enactments can have only one purpose: ratings. If it were a question of identifying the crooks then still photographs would be better. The worthiness of the crime-busting purpose is being used as camouflage for an audience-maximising violence which would otherwise be quite rightly condemned.

*

What a great pleasure it was, once again, to watch *London's Marathon* on BBC1. From the Nuremburg rallies to the Cup Final, the congregation of thousands of people for one purpose is always awesome, but the sight of the screen filled from top to bottom and from side to side with that ocean of bobbing faces as thousands of runners surge through the gates at Blackheath for the start of the race has become one of the most inspiring moments of the year. The expertise with which the production team then highlight various stories within the whole – the handicapped athletes in their streamlined racing wheelchairs, the Gurkhas running in formation, the fancy dress types competing for charity, and of course the leaders of the race – has become quite masterly. What a triumph Christopher Brasher has achieved in organising something so wholly pleasing.

Les Falaises d'Esnandes: a forthcoming "Ghosts in the Machine" programme.

Douglas H. Jeffery

After a successful run in Southampton, the Nuffield Theatre's production of R.C. Sherriff's classic of World War 1 trench life, *Journey's End*, 60 years old this year, has established a dugout at the Whitehall. Despite fears about the public school ethos and, even more, the public school language, the piece still works. Understated and clipped it may be but the dawning realisation of war's futility is finely expressed in a production (Justin Greene) that tactfully judges the pace and weight of each scene. Sarah-Jane McClelland's set provides a grubbily real background for the detailed and mainly boring routine of warfare, curiously reminiscent of prison (or even public school) life. Nicky Henson (right) is almost too off-hand as the grizzled schoolmaster; splendid cameos from Tim Kightley, Alan Barker and Andrew Castell (left) nearly compensate for an inadequate leading performance.

Martin Hoyle

Easter/Haymarket, Leicester

B.A. Young

Was ever a family as afflicted as the Heysts in Strindberg's *Easter*? Father is in gaol for misappropriating trustee funds. Elis, his son, has been let down by his star pupil, whom he thinks to be competing for his fiancee Kristina. His daughter Eleonora went mad when her father was arrested, but has escaped from the asylum and celebrated her freedom by stealing a daffodil from a flower-shop. Benjamin, living with the Heysts because his father, a victim of the swindle, can no longer afford to keep him, has failed in his Latin exam.

The play, which in David Leveaux's interesting production lasts under two hours, with no interval, starts on Maundy Thursday; and the family lose no opportunity to compare their suffering with Christ's. The misery is muted to begin with. Elis, given a lively performance by Gerard Murphy, makes demonstrative love to Kristina, a happily domestic Jennie Stoller, even trying to put his head under her skirt.

But the misfortunes mount, topped by the arrival in town of Lindkvist, chief victim of the crime. Elis is convinced that he will distrain on all the furniture. We do not see him at first, but we hear his stick as he walks by, and Elis has to stop his ears against the sound of his galoshes (which we do not hear at all).

Good Friday adds distress, when Kristina tells Elis that she is going to a concert with Peter, the student who claimed some of his work as his own. Worse, Mrs Heyst (Mary MacLeod) reports that she met Lindkvist at Vespers and he is coming to call. We hear him approaching, and we see a great silhouette on the curtains as he stands outside, the giant ogre, as Elis calls him. But he does not come in.

Meanwhile, Eleonora has become increasingly friendly with Benjamin (Simon Schatzberger). She is eccentric, but not mad. She claims to share the feelings not only of other people, but of flowers (she warms a bunch of cold anemones at the stove) and even of telephone wires. Jemma Redgrave makes her less childlike than her talk suggests. I could not see her as the same age as Benjamin (whom Strindberg wanted played by a girl) – though his age too is hard to pin down.

All is cleared on Easter Saturday and the allegory is complete. Peter is engaged to a different girl; the risk of Eleonora's arrest for stealing her daffodil has gone; even the dreaded Lindkvist, when he comes to the house in the guise of a creditor, proves a secret admirer of the swindler Heyst and withdraws his claim, so making Elis walk slowly backwards across half the stage into the kitchen.

The story is clearly no more than a chance for Strindberg to air some of his own agonies, and shows the kind of holes that you would accept in a thriller. Why, to take the most obvious, was not Lindkvist equally moved by his early friendship with Heyst at the time of the trial? How did he know about Benjamin's Latin paper?

But there is an un-Strindbergian tenderness, especially between Benjamin and Eleonora, who outgrow the principal plot like Beatrice and Benedict. It is to the Haymarket's credit to have let us see this comparative rarity, with its fine set by Philippe Brandt (from which you might guess Lindkvist had already had a go at the furniture), though without the Haydn music the author asked for.

Messiaen & Ravel/Festival Hall

Max Loppert

Edward Downes and the BBC Philharmonic Orchestra came south on Monday to give a carefully chosen, imaginatively contrast programme of 20th century French music. Ravel's *Shéhérazade* and Messiaen's *Turangalîla* offer two contrasted views of European orientalism – the one an exquisite collection of exotic sensibilities pictured with detachment and viewed from a distance, the other as vast, grandly structured, and crowded with garish decorative detail as an Indian temple.

The common theme which the concert seemed to pursue was the peculiarly French attitude to distinct, unblended orchestral timbre which the two composers share (however different their employment of it may be). And both performances rejoiced in the BBCPO's current musicianly vitality under its Principal Conductor. (Not enough Londoners seem to have absorbed the fact that these visitors from the regions, like the Hallé and the CBSO, give concerts that make most London-orchestra events seem sadly perfunctory and tired.)

Turangalîla is no longer a rarity – but no-one should therefore be lulled by familiarity into underrating the confidence and authority of Downes' reading. It was not the last word in virtuosity – in the riproaring fifth and final movements the bounding unisons seemed once or twice on the point of coming unstuck. It was also not the last word in insistently evoked sensuality – in the "Jardin du sommeil d'amour" the mood was clear and cool, dictated by the piano's tickingly ornate tracery (Peter Donohoe, in magnificent form) rather than by the ondes Martenot's swooning song. But under Downes the whole work held together. The individual musical blocks that go to make up the whole edifice were exactly judged and expertly aligned. *Turangalîla*, which on recent occasion had begun (one feared) to pall, was once again an immensely enjoyable as well as an immensely important mid-20th-century masterwork.

In the Ravel song-cycle the soprano was Barbara Hendricks, a relatively rare London visitor. She gave one of the most delicately fashioned and beautifully voiced performances of this work I have ever heard in the concert hall (and memories of favourite *Shéhérazade* records were challenged). Her French is forward, accurately accented; she makes the words the focal point of her line; the tone is clean as well as glowing. On occasion she slightly scooped up to those words from below, and once or twice she failed to heed Ravel's dynamic markings sufficiently (in the very first phrase Miss Hendricks began loud and grew louder, the exact reverse of what the score requires). But as a whole it was an account of the work that caused the audience to hang silent and attentive on every note. No wonder the French adore this singer.

Heinrich Schiff/Wigmore Hall

David Murray

Schiff belongs to the first rank of modern cellists, which means that he was fully entitled to open his Saturday recital with one of Bach's solo suites, the C major. It was a performance that argued strongly for the virtues of the "conversational" modern style: not metronomic nor self-effacingly literal, still less a stream of evenly rich tone. Schiff could make the authority of his bow felt while playing free and light with details, adding little riffs as fancy took him without letting the essential dance-pulse slip. As usual, this variety of address revealed more of Bach's subtle complexities than any po-faced reading ever does.

With Roger Vignoles, Schiff offered a thoroughly pondered account of Shostakovich's op. 40 Sonata, the quick movements correctly flicked off against the discursively slow, troubled ones which are the heart of the matter. The partnership was unbalanced by Vignoles' overbearing piano in Schumann's op. 73 *Fantasiestücke* and in Martinu's quirky circus-variations after Rossini. Impertinent speculation: it struck me that Vignoles had worked up his tricky part in the Martinu so well that he couldn't resist brandishing it, whereas the deceptively simple Schumann had had only a last-minute look and emerged blunt-fingered.

There is some current feeling among critics that Witold Lutoslawski's impeccably modern, always effective pieces are too good to be true – that they are *merely* effective, and not very searchingly original. It is never easy to sustain that doubt during a good Lutoslawski performance: this time, Schiff and Vignoles made the 1981 "metamorphoses" called *Grave* – a mere six minutes long – not only gripping but densely suggestive enough for a far longer work, and yet perfectly shaped to their actual length. If Lutoslawski's constructions are hard to fix within the current terms of critical reference, it may be those terms which are inadequate rather than Lutoslawski's music.

Philharmonia/Festival Hall

Paul Driver

Sunday night's concert at the Festival Hall brought Leonard Slatkin to conduct the Philharmonia (largely from memory). The first item, Samuel Barber's famous *Adagio* for strings, was beautifully intoned but, as always with this work, left me cold: like a Byron lyric, there is a vacuousness about its consummateness; the little piece is expressivity without context or occasion; all pearl and no oyster.

Barber's Cello Concerto (1946), which came next, made a not dissimilar impression. Though his textures are often biting in a descriptive sense, he himself has small bite as an artist. Thus the first movement, though full of colourful, varied, lively material, and here performed with fluency, naturalness and the keenest precision by soloist Ralph Kirshbaum, slipped through the memory and away. The *Siciliana* second movement (beginning with an admittedly lovely canon for solo cello and oboe) was intense and persuasive and spoke of the most assiduous craft, but when it was over one felt unaffected by it nevertheless.

The comparison in William Mann's programme-note with Walton's Cello Concerto of 1956 seemed far too hopeful; and yet the third movement, *Molto allegro ed appassionato*, did command interest for its mercurial, unusual rhythms, frequently spare scoring, and quasi-modernist gestures. The most remarkable of the movements, it was also the most apparently American. Here, just as earlier, the rapport that Slatkin created between orchestra and soloist was extremely satisfying.

Shostakovich's fifth symphony is a big, showy and incisive work ideally suited to Slatkin's orchestra-taming talents, and indeed came off well. The opening *Moderato* music, taken steadily and firmly, had such an eloquence that it really seemed to be breaking into speech at times. The *Allegretto* second movement – that Mahlerian parody which even manages to parody Mahler's own ideas (along with the violin solo from *Swan Lake* and other things) – was vivid, cool and sly. The *Largo* rose to a convincing climax, which to turn convincingly led to the tremolando and the brass bombast of the finale's start. On this occasion the blaring C major at the end of the movement did not seem at all like the ironic rebuke to Stalin which we have lately been taking it to be; but music's glory is that it will never wholly submit to irony.

Arts Guide

April 15-21

Theatre

LONDON

A Touch of the Poet (Comedy). Vanessa Redgrave and Timothy Dalton in prolix but fascinating O'Neill play set in the aftermath of the European republican upheavals. Dalton is Con Melody, a Byronic wreck pipe-dreaming in the bar, Redgrave his loyal but defeated spouse. (930 2578, CC 839 1438)

Cat on a Hot Tin Roof (Lyttelton). Ian Charleson and Lindsay Duncan lead this white-hot National Theatre revival of Tennessee Williams' play directed by Howard Davies. Eric Porter is an electrifying Big Daddy. (928 2252)

Fashion (Pit). The 1987 RSC Stratford-upon-Avon season, a very good one, has arrived at the Barbican. This new play by Doug Lucie, with a towering performance by Brian Cox, is a satirical tragedy for the late 1980s about the marketing of political ideology. (638 8795, 638 8891)

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw (Ray McAnally) and a remarkable abbess (Rosemary Harris). (437 2663, CC 434 3598). Ends April 23

South Pacific (Prince of Wales). Traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444). Ends April 30

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a *doomed* theatre. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6565).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London Season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the fabulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143)

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404, CC 379 6233)

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with the powerful tale of an old baseball player raising a family in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

The Mystery of Edwin Drood (Kennedy Centre Opera House). The Broadway hit musical based on Dickens' unfinished novel features the music of Rupert Holmes for which the pop composer won a Tony. Ends May 1. (254 3770).

American College Theatre Festival (Terrace). The tempest by the Yale School of Drama and Spring Awakening done by the University of Evansville highlight the 20th anniversary festival. (254 3437)

CHICAGO

A Flea in Her Ear (Goodman). Frank Galati stars in his own adaptation of Feydeau's farce reset to Paris in 1965, directed by Michael Maggio. (Ends May 21) (443 3800).

TOKYO

The Wars of the Roses (in English). Tokyo Globe Theatre, Shin-Okubo (343 4751). The English Shakespeare Company opens Tokyo's newest theatre with Michael Bogdanov's lively and inventive production of Shakespeare's English history plays. The theatre was designed by RIBA gold medallist, Arata Isozaki, as a witty pastiche of the Elizabethan original. A bare stage throws the focus onto the actors and onto costumes that range from medieval through Victorian to punk. Barry Stanton's fine Falstaff in Henry IV is an excellent foil to Michael Pennington's angular Prince Hal. Six plays in repertory.

Hanshin (Theatre Apple, Shinjuku) A recent survey indicated that Yume no Yuminsha is the most popular theatre group among today's young generation. Hideki Noda's productions are complex fantasies with a strong vein of surrealist humour, as if Monty Python were invited to attend a traditional Japanese street festival. Noda himself is a high-energy comic performer of charm and the entire company is skilled in song, dance and acrobatics. Hanshin is about Siamese twins and attempts to separate them, but the plot is less important than the outpouring of visual invention.

Big River (Aoyama Theatre). Musical version of Huckleberry Finn. Jim is played by Ron Richardson, from the Broadway production, who has learnt Japanese for his role. The songs are sung in English – so the Japanese cast have also faced something of a challenge in preparing for the performances. (797 5678)

Yamato Takeru (Shimbashi Enbujo). This staggeringly successful super-kabuki production by the kabuki theatre's greatest showman, Ichikawa Ennosuke, has already broken all the records that a new show can possibly break in Japan. Its sheer size and spectacle put it in the same category as the most extravagant Broadway musical. The story is based on one of Japan's oldest legends but is less important than the extrovert and theatrical tricks that Ennosuke has concocted to make kabuki more appealing to a generation that has grown up on rock music and action movies. Purchase the English programme if you want to follow the twists and turns. (541 2211).

Kabuki (Kabuki-za) (541 3131). Kana Dehon Chushingura – the story of the 47 loyal retainers – is one of the most famous events in Japanese history, made into countless plays, books and films. The kabuki version is perhaps the best known. In two parts, at 11am and 4pm. For those with little time, tickets are available (on the day only) for a single act. English earphone commentary.

West Side Story (Kan'in Hoken Hal). This production of one of the great post-war musicals features a cast drawn from a recent revival on Broadway. In English. (407 8155). Ends Apr 24.

Saleroom/Antony Thorncroft

Old Masters sought after

Christie's was busy yesterday selling Old Master drawings in one auction room, and prints, from the Old Masters to contemporary in another. The drawings brought in £457,952 in the morning session, and the prints £142,076, both with 13 per cent unsold.

Top prices were among the drawings, which are now eagerly sought after, with prices approaching those paid for Old Master oils. The London dealer Hazlett Goodden Fox paid £55,000 for a head of a man by Giovanni Agostino da Lodi, a follower of Leonardo da Vinci, who has left few examples of his talent. In 1914 Christies sold the drawing, then ascribed to Leonardo, for twelve guineas.

An American dealer bought a drawing of a forge, with peasants eating inside, by the 16th century Dutch artist Jan Verbeek for £48,000. Verbeek is even rarer than da Lodi with only two signed examples known, of which this is one. The scene probably illustrates a Dutch proverb.

A chalk drawing of the anti-Pope Felix V blessing his sons went for £24,200. It is attributed to Raphael. The head of a man by Ludovici Carracci realised £19,800. Among the prints Rembrandt etching of Faust made £3,850. It was sold by the Fogg Art Museum of Harvard. Unlike British institutions American museums are constantly selling off surplus stock to raise revenue for new purchases.

Phillips had a major disappointment when a view of Adelaide, dated to 1859, in which the town is barely distinguishable, was unsold, failing to reach a reserve of £200,000. It was the work of Knud Geelmuyden Bull, a Norwegian who was transported from London to Tasmania for forgery, and who escaped to become a topographical artist. Top price in the sale of topographical paintings was the £35,200 paid for "The old cotton picker," by the self taught Charleston artist William Aiken Walker.

Christie's had great success in 1986 selling off the Chinese export porcelain discovered under the South China Sea by Captain Mike Hatcher. In June in New York it is disposing of treasure from the other great underwater find of recent years, from the Spanish galleons the Atocha and Santa Margarita, wrecked off Florida in the early 18th century. A massive gold chain, sixty six inches long, is expected to make $250,000 while a coral and gold rosary should realise around the same price. The best of the 400 lots on offer will be on show in London from May 13 to 17.

By coincidence Sotheby's is also holding a shipwreck sale. The S.S. Medina was sunk by a German U boat off Devon in 1917. On board were eight cases containing the bric-a-brac of Lord Carmichael, Governor of Bengal. The sale will be held at Sotheby's *Billingshurst* saleroom in *May*.

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Wednesday April 20 1988

Embarrassing lapses

THE BRITISH Government is not in deep trouble following the revolt against sections of its proposed community charge or poll tax by a number of its own back benchers to the House of Commons on Monday night. Even though 38 Tory MPs defied the Government outright and a further eight abstained, there was still a government majority of 25 – considerably larger than some previous administrations have been able to command even at the best of times.

Moreover, Mrs Margaret Thatcher's normal majority is around 100. There is not much effective opposition from the other side of the House, whether from the Labour Party or from the remains of the old Liberal-Social Democratic Party Alliance. And the Government still has another three or four years to run. By that time, some of the present battles over the poll tax may have been reduced to footnotes.

It is also true that, by and large, the Government is doing rather well. There may be difficult problems looming up over the management of the economy, but the economic climate is incomparably better than to the late 1970s and early 1980s. On foreign policy the Government looks self-confident, has come to terms with Britain's membership of the European Community and is listened to with some attention around the world. All those are considerable gains.

Size of majority

Yet there must be something wrong with an administration that so repeatedly gets itself into a tangle over smaller issues. Possibly the sheer size of the majority is a contributory factor. There are too many Tory MPs with not enough serious work to do and who can make a name for themselves by rebelling. Mr Michael Mates, the man who raised the standard against the poll tax, might never have rebelled if he had been given office and is at least as able as many of those who have.

Back bench frustrations alone, however, cannot explain why the Government so often looks less than competent. To borrow a phrase, the administration must take responsibility for its own actions. There is just the slight suspicion that because it believes that it will win in the end, it does not much care how the victory is achieved. Indeed in the last few months some striking similarities have begun to develop with the period after the general election of 1983, when the Government also appeared to lose its way over domestic legislation.

Order of priorities

The point then, as now, was that the Conservative Party had produced an election manifesto without giving sufficient thought to how to implement it. Four years ago, it was the abolition of the Greater London Council and the metropolitan authorities that caused the trouble. Now it is the abolition of the rates, various changes in social security benefits and the Education Bill. The result is that big questions get mixed up with small. The reform of the education system, for instance, is a matter of major importance. A Government and a parliament that are fiddling about with amendments to the poll tax are unlikely to be able to give it the detailed consideration it deserves. There is, in short, no clear order of priorities.

It took the 1983-87 administration two years to recover from its trough. Even then it was probably only the Westland affair which brought it back to its senses because it showed how close the system of Cabinet government had come to breaking down. It is also worth remembering that when confidence in the Government's competence started to slide, some fairly important measures were defeated or had to be withdrawn: the Shops Bill, for example, and the proposed change of ownership of the then British Leyland.

The present administration is in nothing like that situation – yet. But it has been suffering some embarrassing setbacks, to say the least. It should not let its conviction in its own superiority turn to carelessness. Meanwhile, some decisions are being taken without a great deal of parliamentary scrutiny: the disposal of the Rover Group to British Aerospace and the possible sale of the Govan shipyard. It is not quite clear that MPs are always following the right subject.

Containment in the Gulf war

FEARS THAT the Iran-Iraq war might provoke a much wider conflagration, drawing in the superpowers, have so far had a stubborn habit of remaining unfulfilled.

So it was again yesterday, as both the US and Iran made clear that their unprecedented series of skirmishes in the Gulf on Monday were unlikely, for the moment, to develop into a full-scale confrontation. President Ronald Reagan, after warning Iran on Monday night that it would "pay a price" for continuing to threaten US interests in the waterway, said yesterday that things appeared to be calming down.

For its part, Iran – which said on Monday that it was prepared to retaliate against the US anywhere in the world – signalled yesterday that it was not about to take on American military might in the Gulf, instead attacking a tanker belonging to the neutral and almost defenceless United Arab Emirates.

Containing Iran

Clearly, cooler counsels have prevailed on all sides in the face of major provocations. The US, having taken action against the oil rigs, appears to have chosen to ignore a series of other belligerent moves by Iran on Monday including, according to some reports, its first firing of land-based Silkworm missiles at a foreign warship. Iran is too shrewd to want to complicate its war effort, which has come under unusual pressure from Iraq this week, by opening a new front with a superpower. Iraq, where fears of defeat have in recent years created an interest in broadening the conflict, has substantially improved its position with a drive to recapture the strategic Fao peninsula.

For the moment, then, the enhanced US naval presence in the Gulf appears to be serving the useful purpose of containing Iranian adventurism, in addition to preserving freedom of navigation in the waterway. The military build-up got off to a shaky start last spring, amid uncertainty in Congress and among Washington's allies as to what the US was trying to achieve.

But of late, the Reagan Administration – while failing to bring the war to an end or to prevent Iranian attacks on neutral shipping – has generally succeeded in drawing a line in the Gulf beyond which Iran has hesitated to venture. It attacked an Iranian ship which it caught in the act of sowing mines last September. When the Iranians struck a Kuwaiti tanker flying the US flag in Kuwaiti territorial waters in October, the Americans responded by firing 1,000 artillery rounds at Iran's Rostam oil rig in the southern Gulf. Until this week, the result was six trouble-free months for the US fleet and other American-flag ships, as Iran concentrated its fire on vessels flying other flags.

Vigorous response

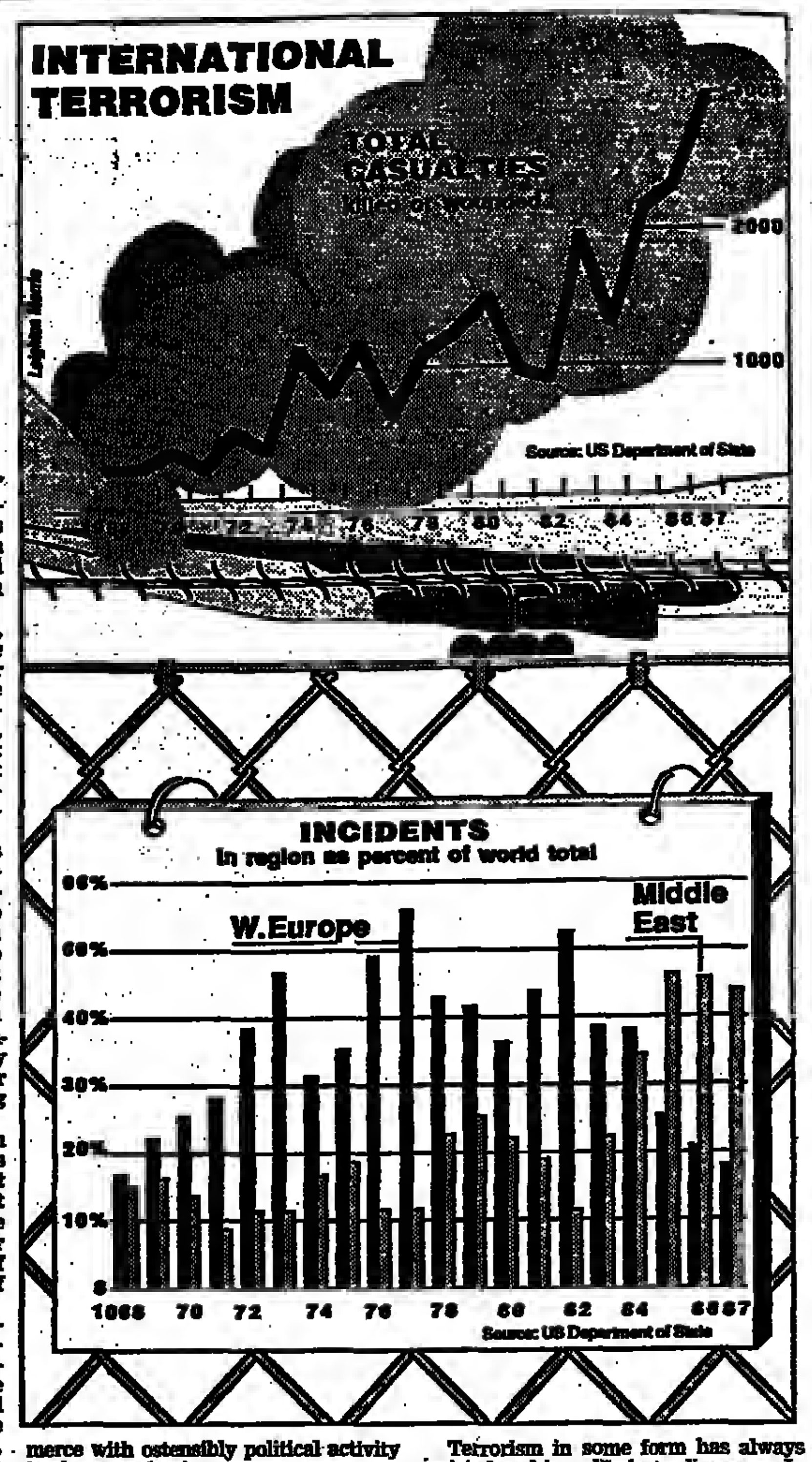
Monday's bombardment of the oil platforms in the Sirri and Sassan fields falls into the same category. The US says it has sent Iran a total of five diplomatic notes since last summer warning it against sowing mines in the Gulf. Evidence that Tehran had resumed such activities required a vigorous response, especially in the light of Iran's apparent belief that the Western military presence was itself becoming a "soft target" as a result of fading interest on the part of Washington and its allies in staying put.

The US stance does carry risks of escalation. Indeed, the latest skirmish underlines the impasse in diplomatic efforts to end the war through the United Nations Security Council. The fact that the only option for reinforcing the Council's ceasefire resolution – an arms embargo against the recalcitrant party, Iran – is blocked for the foreseeable future is no reason to abandon the issue. Western nations should be urgently considering ways of reviving discussions on resolution 598, and if necessary reshaping it to allow Iran a face-saving way out of the war.

Nevertheless, expectations of progress must be modest. While the conflict continues, the threat of Iranian harassment of shipping and of the other Gulf states will be acute. For this reason, as foreign ministers from the Western European Union reaffirmed yesterday, containment of the war by means of the Western naval presence remains an essential concomitant of diplomacy.

Edward Mortimer looks at the factors behind the latest resurgence of terrorist activity

The rising curve of violent death



ONCE AGAIN terrorism is dominating the headlines. Two people have so far been killed, and 31 are still being held hostage after more than a fortnight, by the hijackers of the Kuwaiti airliner. Five people were killed and 15 injured last Thursday, by a bomb outside a US servicemen's club in Naples. During Friday night an important Palestinian leader was shot dead at his home in Tunis, along with his bodyguards and a gardener. On Saturday afternoon the same fate struck a leading adviser to the new Italian Prime Minister.

Those are four types of terrorism to which Western public opinion is particularly sensitive:

● Hijackings have a built-in element of drama and suspense, and their victims are easy for anyone who has ever travelled by air to identify with. In the present case, however, the media appeal of the drama began to flag in the second week, aided no doubt by the fact that there were no longer any passengers from Western countries on board the airliner.

● Bomb attacks in European cities, especially on American targets, are obviously threatening to the general public on both sides of the Atlantic.

● Events relating to the Arab-Israeli conflict are almost always assured of greater publicity in the West than similar events anywhere else outside the Nato area. Reasons for this include the European background to Israel's existence and the very close involvement – emotional as well as political – of the US in Israel's destiny.

● The murder of Senator Roberto Ruffilli marks the return of the purely ideological terror, which traumatised Italy and West Germany, and to a lesser extent France, in the 1970s and early 1980s. The authorities in those countries believed they had succeeded in containing this, if not eradicating it. It is particularly disturbing that this murder, claimed by a movement stemming directly from the Red Brigades, should so exactly and no doubt deliberately recall the agony of the Aldo Moro affair which Italy endured just 10 years ago. Like the Red Brigades then, the "Fighting Communist Party" has struck with precision at the Christian Democrats just when they are again feeling their way to a new relationship with the Communists. Just as Aldo Moro was the architect of a new parliamentary majority including the Communists, so Senator Ruffilli was intimately involved in the plans to strengthen the state through institutional reform, for which the support of the Communists is being sought.

It would thus be easy to conclude from the events of the last two weeks that terrorism is on an inexorably upward curve and that all the efforts made by governments to combat it have been in vain. That grim conclusion is apparently borne out by the statistics of "casualties caused by international terrorism" compiled by the US State Department. These show that the *total for dead and wounded taken together* has risen in every year since 1984, with an alarming 25 per cent increase in 1987.

But things are not so simple. First of all the number killed, as opposed to *wounded, was significantly lower* in both 1986 and 1987 than in the peak year of 1985. Secondly, the 1987 figures reflect an "extraordinary" increase in terrorist bombings in Pakistan, most of them believed to be linked to the secret police of the Afghan communist regime. These bombings accounted for 1,298 casualties last year (1,076 wounded and 222 killed) – well over a third of the worldwide total. Yet compared with the events referred to above they received remarkably little attention in the Western media.

The US figures, in any case, cover only "international" terrorism – incidents in which either the territory or the nationals of more than one state are involved. This is an artificial distinction. Paul Wilkinson, Professor of International Relations at the University of Aberdeen, attempts to monitor "domestic" as well as international terrorism, and finds that the latter fairly consistently outnumbers the former by a factor of ten to one.

In both cases he finds that the overall number of incidents has not increased dramatically, but the number killed has: in international incidents two thirds of all the deaths in the last 15 years have occurred since 1984. This is because terrorists have resorted to increasingly lethal and indiscriminate methods such as the blowing up of aircraft and the use of car bombs.

"Domestic" terrorism, according to Prof Wilkinson, is increasing very rapidly, but not primarily in Western Europe, as a country-by-country examination shows. In Spain, the Basque separatist group ETA, responsible for hundreds of murders over the last 10-12 years, appears to have been significantly weakened and has been seeking to negotiate a ceasefire with the Spanish Government. In the UK, the IRA, though far from beaten, has suffered a series of recent setbacks.

Most terrorist groups finance themselves wholly or partly by criminal activity – bank-robbery, extortion and drugs

In France, the government scored a spectacular success last year with the arrest of the leaders of the Action Directe group, responsible for most of the political killings in France over the last 10 years or so, other than those related to the Middle East.

In West Germany considerable numbers of known terrorists continue to elude the formidable array of police technology deployed by the Bundeskriminalamt, but they appear to be on the defensive, obliged to concentrate on avoiding capture rather than on spectacular exploits. The violent incidents that *do occur* tend to be directed against property (electricity pylons or the perimeter fences of nuclear plants) more than against people, and are thought to be the work of autonomous activists rather than of hard core terrorist groups.

Even in Italy, while the murder of Senator Ruffilli is certainly disturbing, it is probably safe to say that it does not presage a return to the heyday of the Red Brigades. Compared with Mr Moro in 1978, Mr Ruffilli was a "soft" target. Significantly an attempt to kidnap Mr Ciriaco De Mita – Mr Moro's successor as leader of the Christian Democrats, who has since been named Prime Minister – was foiled by police a few weeks ago.

Terrorism of the Red Brigades, Action Directe, Baader-Meinhof type flourished in the 1970s in a particular ideological climate. At the time, the student generation of the 1960s, nourished on neo-Marxist libertarian ideas, was experiencing acute disillusionment at the discovery that it could not change the world by non-violent demonstrations or semi-spontaneous "happenings."

The majority drifted into various degrees of compromise with the established order, but a minority of dedicated revolutionaries was prepared to take up arms against the state, and a somewhat larger group was ready to identify with them, even if it did not participate directly. The climate of the 1980s seems very different, though there is always the danger that unemployment and conspicuous inequality will spark off a new wave of anger among the have-nots or guilt among the haves.

ETA and the IRA, like the Corsican nationalists who constitute France's *main remaining* "domestic" terrorist problem, are movements of a different sort, much more difficult to extirpate because they express, in however extreme a form, the grievances of national groups with a strong sense of their own identity.

Such groups have something in common with the nationalist or communalist movements that are the main breeding grounds of terrorism in the "ordinary" Middle East, Africa and Asia. Shiites in Lebanon, Iraq and the Gulf, Kurds in Iran, Iraq and Turkey, Armenians still seeking revenge on Turkey for the massacres of 1915, Sikhs in India, Tamils and now also Moslems in Sri Lanka, Moslems in the Philippines, blacks in South Africa, Eritreans and Tigrayans in Ethiopia, southerners in Sudan, Sahrawis opposed to Moroccan rule in Western Sahara: these are only some of the groups which have taken up arms "in self-defence" or "to resist oppression" in recent years.

The validity of their grievances varies from case to case, and so does the extent to which the types of violence they resort to can fairly be categorised as terrorism. Terror may be used in a good cause (without thereby becoming good in itself) and more conventional methods of warfare are often used in a bad one. It is not always easy to say where one begins and the other stops.

Nor is it easy, in many cases, to disentangle political terrorism from gangsterism or banditry. Most terrorist groups finance themselves wholly or partly by criminal activity – bank-robbery, extortion, drug-running. The longer they go on the more important these activities are likely to become in comparison with their ostensible political goals.

In Latin America – another region where "domestic" terrorism has increased spectacularly in recent years – *violence has become a normal way* of life for some groups, and the intertwining of drug cultivation and commerce with ostensibly political activity is almost endemic.

Much has been said and written in the last few years about "state-sponsored terrorism," especially in connection with the Middle East. The US has taken the lead in denouncing this phenomenon and using sanctions – economic, political and, in the case of Libya, military – to counter it. These policies seem to have had some effect. Arab governments which were more or less openly sponsoring terrorism, such as those of Iraq, Syria and Libya, have become much more cautious about it, if they have not given up altogether. The main remaining culprit in the region is *Iran, or, at least a powerful faction* which may unfortunately be getting more powerful within the Iranian regime.

Further east, the activities of the Afghan secret service presumably also come into this category, but so (it could be argued) does the use of Western-supplied missiles to shoot down civilian aircraft by the anti-communist Afghan mujahidin. Many would say that the same applies also to some of the activities of the Contras in Nicaragua (though one imagines these are not included in the State Department statistics). As for the killing of the Palestinian leader, Abu Jihad, that probably comes under the heading of "state" rather than "state-sponsored," if, indeed, it was carried out by a special unit of the Israeli Defence Forces.

Terrorism in some form has always existed and is unlikely to disappear. In the contemporary world, air travel makes all of us more vulnerable to other people's quarrels, while television and other media enable one group of malcontents to learn about and imitate the methods of another on the other side of the world.

But we are not quite defenceless. The State Department's figures show that only seven US citizens were killed by international terrorism in 1987 – the lowest figure for six years – and three of those were caught up accidentally, not deliberately targeted. More strikingly, none of them was a diplomat. This has been achieved mainly by strict security precautions at US embassies and other premises in foreign countries; inconvenient, often expensive, but still effective. In Europe, too, much has been achieved simply by better coordination between national police forces, of which the French capture of a boatload of arms destined for the IRA and the Spanish identification of the Gibraltar would-be bombers were two recent fruits.

The bar-chart shows a significant decline in Western Europe's share of international terrorist incidents over the last five years. While it would be dangerous to assume that this will continue, it does suggest that constant vigilance and growing firmness can provide some protection, at least against the effects of those conflicts whose true locus is in other parts of the world.

OBSERVER

Chase joins the club

Chase Manhattan will become the 14th institution to issue a Visa credit card in the UK when it launches a new "designer card" in May. It might have been thought that the British appetite for plastic cards had been satisfied by the other 20. Not a bit of it: despite hefty interest charges, the number of card-carriers continues to grow.

Visa ended last year with 14m cardholders – an increase of 14 per cent on the previous year. Access, with five issuing banks, had 11.8m cardholders at the end of January.

The number of cards padding out people's wallets and purses is much higher than this, though. The Retail Credit Group says its nine members, which include the largest retail issuers, have produced 7m cards between them. Burton alone has churned out 2.5m, while Marks and Spencer has managed nearly 2m.

The National Consumer Council reckons that there are a further 5m or so assorted credit, retail or charge cards, making more than 35m in all.

Not that all this plastic is spread evenly. The "haves" of the plastic card world, of whom there are around 14m, have an average of two and a half each, estimates Edwin Lawton of the Banking Information Service. He confesses to having a fistful himself.

All this suggests that plastic cards are an unusual product: the more you have, the more you want. This will reassure Chase as it prepares to launch its Visa card – not to mention the bevy of *building societies which are* preparing to get in on the act.

Raisa's dictionary

Mikhail Gorbachev, the Soviet leader, has no immediate intention of writing a new book following the success around the world of his work on Perestroika. However, there might be something coming from his wife, Raisa.

Gorbachev received Ian Chapman, the chairman of William Collins which published the British edition of Perestroika, in Moscow last Friday. The meeting lasted 1½ hours – twice as long as scheduled – and was the main item on Soviet television news that evening.

Chapman was accompanied by Michael Bessie of Harper & Row, Collins's American partner, and their respective wives. At one stage Gorbachev said that it was a male-dominated world and asked the ladies to start talking. Marjory Chapman then asked whether his own wife had any intention of writing a book. The Soviet leader replied that Raisa was very independent and he was just a messenger boy, but he would certainly keep Collins informed.

One of the presents given by Collins was an English dictionary. That has gone straight to Raisa, who is learning English fast.

Chapman met an array of Soviet writers *during* a visit in which he was given the ceremonial VIP treatment and Collins may get the rights to the biography of Stalin which the Russians are now working on, as well as a biography of Boris Pasternak.

Ron Brown's body

Ron Brown, the Labour MP for Edinburgh Leith, made several apologies yesterday, all lacking in sincerity and none that was acceptable to the Speaker, for his actions in throwing the ceremonial mace to the floor at the feet of the Serjeant at Arms in the House of Commons.

Brown's official explanation is that he seized it in frustration at not being called to speak and, surprised at the weight, dropped it. The resultant damage may cost him dearly, although a decision has not been made about who pays for repairs.

At 5ft 7in he is not in the Michael Heseltine class and since Heseltine commandeered the nickname Tarzan after his own exploits with the mace in 1976, Brown will probably have to stick with "Afghanistan Ron" from Labour colleagues in memory of his support for the Karmal Government.

Brown has the reputation of a loner in the House and has little to do with other Scottish colleagues of a similar far left persuasion.

William McKelvey, Labour MP for Kilmarnock and Loudoun, has plotted *guerrilla tactics with him* in the past and says that he had a tendency to stray from the script and surprise everybody.

That happened in 1981 when he placed a *"Hands off Lothian"* slogan on the Commons table. He was then excluded for 20 days, although he received his first taste of suspension with five days a few months earlier for calling Nicholas Fairbairn a liar.

A brush with the real law, that which operates out of the privileged confines of parliament, occurred when he was arrested for confronting Margaret Thatcher with a pay slip when she was in Scotland.

Despite his record, he is known as a diligent constituency MP in his home town of Leith where, with the help of his wife, May, he has earned the respect of the party grassroots for his attention to local problems. Alex Bell, vice convenor of Lothian Regional Council, said: "Nothing like this happened when he was my vice chairman on the Water and Drainage committee."

The mace belongs to the monarchy but that is unlikely to worry Brown. He wants an end to that too.

Comfortable cats

Stressed executives should get themselves a cat to relieve tension, according to a survey commissioned by Laporte Earths, the manufacturers of grey fuller's earth, who have a vested interest since the product is used in more than half of Britain's cat litters.

Of the 684 cat owners questioned 71 per cent believed their pet helped reduce stress, 60 per cent said their cats were among their best friends and 52 per cent allowed them to sleep on their beds.

Scottish cats get the best deal: 62 per cent are allowed to sleep on the bed whereas only 30 per cent of Welsh cats have this privilege.

One alarming statistic is that a quarter of the cat owners had lost pets in mysterious circumstances and fears of cat-napping are reflected in a booming market worth over £30m in 1987.

While most fuller's earth is used for cat litters, it has been used by jockeys inside their breeches to prevent piles and a dose is still recommended should you swallow Paraquat.

Really personal

A London businessman lately returned from California reports a sighting in Newport Beach of an attractive blonde driving a Mercedes with what he assumed was a highly personalised registration plate: HIV NEG.

Peter Riddell assesses the seriousness of the revolt within the UK's governing party

Michael Mates: marshalling the rebels

Rebels fail to hurt Tory confidence

THE UK Government's long post-election honeymoon is over and the mid-term blues have started.

It has been the roughest week for the Government in the House of Commons since the doldrums after tha Westland affair two years ago. Not only was there Monday's revolt by Conservative backbench MPs over the community charge, or poll tax, which cut the Government's usual majority of 101 to 25, but there were also sizeable rebellions last week over plans to extend charges for dental and eye checks, as well as unease over the changes in the social security system. For once ministers have been forced on to the defensive.

None of this, of course, means that Mrs Margaret Thatcher's domination over her party is under threat or that policy is about to change. Even governments with secure Commons majorities run into trouble from time to time, as happened to the Tories several times between 1984 and 1986. Few, even in the Commons, now remember the backbench revolts over the abolition of the Greater London Council, rate-capping, student grants and top salaries of civil servants and judges, which so concerned MPs and journalists at the time.

However, just as it would be wrong to get too excited about the parliamentary dramas of Monday night, so the immediate ministerial reaction of brushing aside the rebellion and saying that a majority of "one is enough", as Mrs Thatcher did yesterday, is too complacent.

The events of the past week contain warnings for ministers – about both the social impact of recent measures and the Government's decision-making style – which they would be foolish to ignore.

Concern about the rebellion among senior ministers was reflected in the minutes of a meeting chaired by the Prime Minister on April 11, which were leaked by Labour just before the debate. The minutes reveal a cynical attitude: they talk of issues "beginning to be understood by a number of backbenchers" and the need to pay careful attention to the presentation of any concession – "this would need to be put in positive terms and in easily comprehensible layman's language."

They also reveal how the concession extending the scope of rebates for the less well off was going to be financed: the money would not come from the Treasury, as was the impression gained when it was announced, bnt from an increase in the charge for all. Yesterday, however, Mrs Thatcher said that no decisions had been taken on this, and that the rebates would not be offset, for council tenants, by cuts in housing benefits as had also been proposed.

The significant point about Monday's rebellion is the way in which Mr Michael Mates, a former army officer and main sponsor of the Tory amendment, held his troops in line – his former constituent, Field Marshal Lord Montgomery, would have been proud. The Mates plan is that the charge should be related to ability to pay via a three-tier structure linked to income tax.

There was surprisingly little erosion of support for Mr Mates. Compared with 51 original backers, 38 Tory MPs voted against the Government and a further eight abstained, (one was away ill). This was despite the concession and widespread doubts about the feasibility of his plan because of the big steps between the bands. There was also energetic lobbying by the Tory whips – a mixture not so much of carrot and stick as of whisky and strong words.

The whips can, and do, point out that the 38 include a fair number of persistent rebels, among them 12 ex-ministers who have no love of Mrs Thatcher, a number of disappointed office seekers and a handful of old "wet" dissenters. Only five come from the 1987 or 1983 intakes. Yet the list contains such normally loyal pillars of the Tory backbenches as Sir Geoffrey Johnson Smith and Sir Anthony Buck, while Mr Mates himself is not normally regarded as a wild radical.

Similarly, talk that it is all a plot got up by Mr Michael Heseltine to challenge Mrs Thatcher is nonsense. Admittedly, Mr Heseltine stands to benefit when the Government runs into trouble and he made a powerful, if somewhat self-consciously Churchillian, speech during Monday's debate. And some of his allies, including Mr Mates, are involved. But the other main organiser is the independent-minded, bicycling baronet Sir George Young, and several of the 38 are no friends of Mr Heseltine.

While some of Monday's rebels saw the Mates amendment as a good opportunity to give the Government a rap over the knuckles, other, as with last week's revolts over health charges, were solely concerned with the particular issue. There are no more than 20 hard core dissenters.

More significant are the wider feelings of unease about the social impact of recent proposals. A familiar argument is that since the Treasury has plenty of money, it has been politically insensitive to follow large tax cuts for the well off, made in the Budget, with the social security changes, health service charges and the community charge.

Whatever may be said about targeting at the poor, the near-poor suffer. As Mr Heseltine pointed out on Monday, when discussing the widening appeal of modern Conservatism: "If there is a pivotal point at which the political pendulum is hinged, it is that group of people who have lifted themselves not to great wealth, but clear of dependency on the state and into a position of self-reliance – the council tenants who have bought their homes, the newly self-employed and the thrifty who have saved for their retirement." It is these people, the new Tory voters of 1979 onwards, who will be hit disproportionately hard by the combined effect of the changes and who could turn against the Government.

There is also political disquiet about the Government's style – a feeling that Mrs Thatcher and her close allies are too triumphalist. One senior backbencher who supported the Government on Monday commented: "I'd feel a lot happier if I thought there was someone in Cabinet standing up to her and that decisions were properly discussed. It's no good her coming into the tea room (as she did highly unusually last Thursday) on a search and destroy mission. She and the others have got to listen more."

With the opposition divided and diverted by internal problems, ministers know they can get away with unpopular decisions. There may be a row, even a small rebellion, but all will be quickly forgotten. Many ministers behave as if they will be in office for ever.

On the community charge, ministers intend to press ahead, arguing that alternatives have been rejected. Mr Nicholas Ridley, the Environment Secretary, has pointed out that Monday's majority of 25 was more than the 1974-79 Labour administration regularly achieved.

However, the Government is extending its radical programme into more sensitive fields, such as health, social security and education, where opinion polls have shown a continued strong preference for collective provision rather than Thatcherite individualism. The Government keeps facing criticism from affected interests on its own side as well as from the opposition.

Many ministers acknowledge that the current problems were foreseeable and that the Government's way of taking decisions is haphazard. They point out that it has responded to backbench concerns by offering concessions. It is now almost certain that the Government will announce, either tomorrow or next Thursday, that it will fund in full the additional cost of pay awards to nurses and other medical staff.

Looking further ahead, ministers argue that, with at least three years to go before the next general election, there is plenty of time to deal with complaints about fairness – to raise the limit of £6,000 savings for pensioners claiming housing benefit, to provide more money for the health service, as part of a restructuring following review, and to concentrate tax cuts on the low paid.

Moreover, the Government is facing no significant internal dissent over its recent radical industrial moves, such as the privatisation of the electricity and steel industries, and the sale of Rover Group to British Aerospace. This is in striking contrast to the big rows over Westland and Land Rover two years ago.

The key to the Government's confidence is its belief that as long as the economy remains prosperous, its political position will remain strong. Despite all the recent rows, the Tories are still ahead of Labour in the polls, albeit by a reduced amount, and expect to gain seats in the local authority elections on May 5. Until the Government receives some reverse from the electorate, ministers are likely to shrug off the occasional revolt.

The risks of equity investment

Hold on to real not speculative value

By Ronald Grierson

SIX MONTHS after the October Crash, as fears of a bear market are renewed, it is important not to lose sight of the prime cause of the crash: namely, that markets which foresake prudent investment criteria and take off into the stratosphere must sooner or later come down to earth again.

This does not mean that the technical and other weaknesses which contributed to the timing and the steepness of the fall need not be attended to. A sounder economic climate and better regulations would almost certainly have made for a more gradual descent and a softer landing.

But it would be a mistake to ignore the simple truth that the bloated condition of the market would by itself have been enough to cause a drop of the magnitude involved. After all, prices fell only to where they stood nine months earlier, a level with which investors felt comfortable in the after-glow of a bull market. To refer to this as a "total collapse of equity markets" is an exaggeration. If the pricking of a speculative bubble could create such paralysis of investor sentiment, the suspicion must be that the root of the problem lies in the way investors assess, or fail to assess, the risks.

This raises some awkward issues:

1) All cannot be well with the integrity of investment analysis when shares are a "buy" one day at a vast multiple of earnings, yet are rejected as unattractive three weeks later when all that has changed is that tbey bave become cheaper. What is being analysed is the anticipated short-term behaviour of other investors, not the intrinsic soundness of the businesses.

In performance-crazy markets, there is always a tendency to talk down the relevance of earnings and dividends; yet this is what investment is about. When prices are pushed to a level where yield is no longer remunerative, investment becomes speculation.

2) Among the fashionable concepts of recent years, one of the most suspect is that of "total return", which seeks to incorporate capital appreciation in the measurement of yield. This may be justified if the gain results from an investment which has outperformed the market. But to apply it to investments in general would be like treating the capital gain on the sale of one's home as spending money. Moreover, any investment theory wbich includes in the concept of yield an element that can only be realised by selling the investment is flawed by the practical impossibility of all investors doing so.

When the Royal Commission on Incomes made a study in 1975 of the effect of statutory dividend restraint on industrial investment, it questioned the need to free dividends by suggesting that investors were better off realising capital gains taxed at 30 per cent than receiving higher dividends taxed at 98 per cent. Put this way, with the assumption that someone would give one the necessary capital gain just when one needed money, the unreality of the notion of total return becomes obvious.

3) It cannot make sense for shares to be sold to investors on the expectation that earnings and dividends will increase year after year; nor for managements to be made to run their businesses to satisfy that expectation. Business fortunes do not progress in a straight upward line, even under impeccable management, and shareholders must take the rough with the smooth.

When most businesses were privately owned, proprietors tightened their belts in lean years and sat things out. Public corporations living in goldfish bowls somehow find this humiliating and resort to financial acrobatics to maintain the dynamic of growth. They are influenced by the expectations of holders of share options, who have come to look on capital gain as an integral part of their "remuneration packages". (The absurdity of this becomes manifest when one reflects that it is precisely in difficult years that the skill and devotion of management are most needed.)

4) In practice, shareholders are confined by market realities to remaining loyal to their investments. Only a minority can move out of a share that performs below expectation. But the problem lies with that minority, which comprises investment funds where the managers seek to be judged on their ability to out-guess competitors on short-term market movements. There is reason to doubt whether the institutionalisation of the speculative fringe through high-performance portfolios is healthy.

5) The wise investor should not to be mesmerised by such concepts as "securitisation" and "globalisation". Securitisation is a device for giving relatively illiquid debt instruments – hard to trade in difficult markets – a more liquid appearance; globalisation conjures up visions of better markets as a result of traders "passing books" to each other across the world's time-zones. To those of us who cut our financial teeth in more sober times both propositions are worrying.

Prudent traders run their books on calculations which reduce risk to dimensions that can be painlessly absorbed. It is hard to escape the conclusion that much of what nowadays passes for trading is glorified speculation, involving the taking of positions whicb frequently affect the financial stability of traders and tha confidence of investors. Nor is this situation wholly corrected by hedging. The effectiveness of hedges, as of all insurance, depends in the last resort on the solvency of the insurers. This becomes difficult to assess when it involves complex inter-relationships among a vast network of international institutions.

All this puts those of us who believe passionately in the virtues of a property-owning democracy into a quandary. How wise is it for the man in the street to put the bulk of his savings into equity shares? Perhaps we should not mock the cautious citizens of continental countries who rarely venture beyond government bonds, land or gold.

A share certificate merely entitles its owner to a dividend, if one is declared, and to vote at annual meetings. As a repository for savings it lacks the qualities of a bond, a title to land or a bar of gold. The risk can be spread, but events like Black Monday put even that into perspective.

At certain ratios of price to earnings, the overall risk of equity investment can be made acceptable. Bnt the average investor should exercise great care once those ratios get out of line. He should keep the bulk of his savings in cash or securities representing real as distinct from speculative value.

The author is vice chairman of the General Electric Company plc.

Letters to the Editor

Credit card sales charges

From Mr L.A. Nassim.

Sir, Perhaps a more enlightened person can explain to me why retailers and, indirectly, customers are charged on sales by the credit-card oligopoly as follows:

France, 0.87 per cent; UK, 2.5 per cent; US, 3 per cent; West Germany, 3.5 per cent; Spain, 4.2 per cent, Belgium, 4.5 per cent.

These figures, recently published in Le Monde, derive from a pamphlet circulated by Carte Bleue (tbe French branch of Visa) in defence of its tariffs against the criticisms of Messrs Leclerc. Do the figures for France have something to do with the militancy of Frencb retailers such as the Leclercs? Is the technological revolntion being hijacked by the bankers? Would a law making card-users the sole source of revenue for the card-companies solve this manifest injustice?

L.A. Nassim,
46 rue Saint Didier,
Paris 75116,
France

Indexation of gains should be abolished

From Mr David Gibbs.

Mr Alan McOustra's criticism (Letters, April 16) of the Government decision which effectively harmonises the rates of capital gains tax (CGT) with those of income tax omits one aspect: the indexation of gains, and the enormous complexity and extra work this involves. I urge the Chancellor to lower CGT rates and abolish indexation.

David Gibbs,
Hill House Farm,
Plummers Plain, West Sussex

Mr Tebbit and the Prince of Wales

From Mr Ketan K. Shah.

Sir, The following, taken from Alexis de Tocqueville's Democracy in America, should reassure Mr Norman Tebbit that the Prince of Wales'e campaigning and activities can be construed as contrary to Labour party ideology and policy:

"When aristocrats adopt a new idea or conceive a new sentiment, they lend it something of the conspicuous station they themselves occupy, and so the mass is bound to take notice of them, and they easily influence the bearts and minds of all around.

"In democratic countries only the governing power is naturally in a position so to act, but it is easy to see that its action is always inadequate and often dangerous.

"A government, by itself, is equally incapable of refreshing the circulation of feelings and ideas among a great people as it is of controlling every industrial undertaking. Once it leaves the sphere of politics to launch out on this new track, it will, even without intending this, exercise an intolerable tyranny."

The Prince is not explicitly advocating governmental action to alleviate the problems he is concerned about. He is not advocating a "socialist solution" or a "Labour party solution," but is, in fact, encouraging the private sector to organise and implement solutions.

Ketan Shah,
20 Sandringham Gardens, N12

From Mr G.C. Stanley.

Sir, That John Lloyd (April 14) should be so offensive about Prince Charles and, in passing, about other members of our Royal Family, is totally distasteful. That you, Sir, should give column inches to his views is both surprising and unacceptable.

His conclusion, as the letter from Mr Ferguson on the same day demonstrates, is flawed. Prince Charles is the very first medium, not the last, to carry his trenchant messages. He has clearly raised public awareness and stirred its conscience where lobbying of all parties - Mr Tebbit's included - has singularly failed. Many have followed where he has led, and the country is a better place for it.

G.C. Stanley,
2 Abbey Hill Close,
Winchester, Hampshire

Comment is free

From Mr Michael Moore.

Sir, As long as the Government interferes with interest rates, there is no "free market."

As long as any government interferes with its exchange rate, there is no "free trade."

Michael Moore,
Peveril,
58 The Ridge,
Marple,
Stockport, Cheshire

No no-strike agreement agreed

From Mr Paul Talbot and Mr Jim Thomas.

Sir, Your leader "Challenge for Trade Unions" (April 8) claims that MSF, the general technical union, is party to a no-strike agreement at the IBC van plant in Luton.

This is not the case. The final version of the disputes procedure agreed with IBC contains an option of arbitration if both sides agree, failing which industrial action is possible. Should both parties decide on arbitration, the form must be agreed in advance. In no sense does this add up to a no-strike agreement.

It is also worth noting that, in contrast to the AEU engineering union's position in Dundee, our agreement with IBC is open to public scrutiny, it is multi-union in character and the workforce had the opportunity to vote on whether or not to accept the package negotiated on its behalf.

Paul Talbot,
Jim Thomas,
MSF,
22 George Road,
Edgbaston,
Birmingham

Umbrellas per Square Mile

From Mr Philip Mickelborough.

Sir, The change which has caused the City's umbrella problems (Letters, April 12) is not the increase in diameter from three feet to four feet, but the recent habit of unfurling them.

The function of the umbrella in the rain is, of course, to inform the taxi-driver who it was who hailed him.

Philip Mickelborough,
39 Kingsbury Street,
Marlborough, Wiltshire

Perception of others' opinions is as important as share price 'reality'

From Dr Sushil Wadhwani

Sir, Mr David Damant (Letters, April 11) argues that all alternatives to the Efficient Market Theory (EMT) "fail" because if they were valid we would expect to see a significant number of investors consistently achieving higher returns than tha stock market average. In Mr Damant's words, "these out-performers just do not seem to be there."

There are several reasons why this argument is misleading. To begin with, it is worth reminding ourselves that the EMT – in its "semi-strong" form – requires that prices fully reflect all availabls relevant information (that is, the fundamental value).

It is this version of the theory which is used by some of my fellow academics to tell governments not to meddle in takeovers, or to tell budding corporate officers that they should "trust the share price" as their best guide to the future prospects of their company (that is, the "fundamental" value).

Now it is not very difficult to conceive of situations where prices may deviate from their fundamental value without any investor making above-average returns. To take an absurdly over-simplified example, we may all come to believe that, say, there is a 90 per cent chance that the market will grow at a certain rate unwarranted by the "fundamentals", but also a 10 per cent chance that it will crash back to "reality". (This, in the jargon, is called a rational bubble.)

There could be substantial periods of time during which prices deviate from "reality", but yet, by construction, everyone makes the same return. Of course this is only an abstraction, for it assumes – *inter alia* – unanimity among investors. On the other hand, it is very hard to make sense of the EMT unless we also assume that there are no important differences of opinion among investors.

Keynes's fundamental insight, that our perception of the opinions of others is at least as important as "reality" in determining share prices, is highly relevant. In this situation, it is extremely difficult to arrive at a convincing theoretical model of share prices, although it is possible to construct examples where prices bear little relation to "reality" but are still entirely unpredictable, so that no one makes higher returns than the market average.

I still believe that the most convincing evidence against the EMT is to be found in certain extreme historical episodes – which, after all, come as close to an experiment in economics as we shall ever get. I have yet to see anyone able to point to a piece of news arriving between October 16 and 19 1987 which could conceivably explain a 23 per cent stockmarket decline in New York on October 19, and the falls in other markets.

Mr Damant says that the economy may, in fact, do badly over the next two years. But what news event could conceivably account for the sudden, substantial change in the perception of this possibility over that weekend?

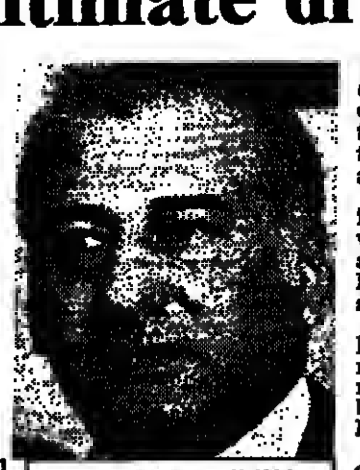
Sushil Wadhwani
Department of Economics,
London School of Economics and Political Science,
Houghton Street, London WC2

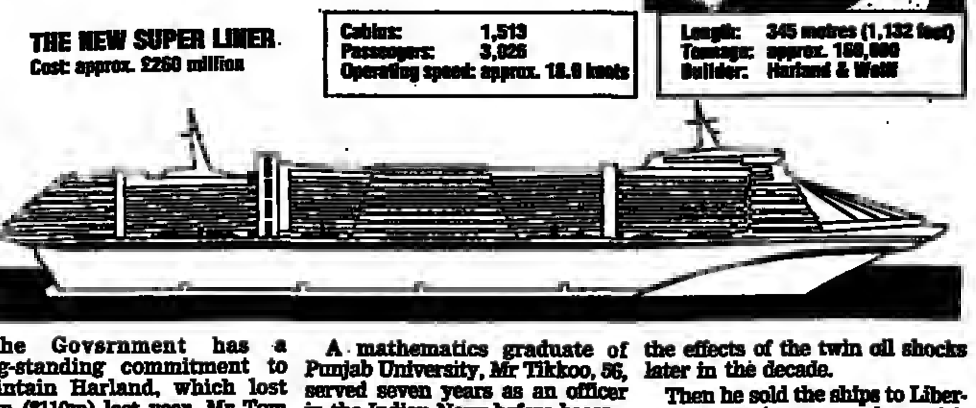
FINANCIAL TIMES

Wednesday April 20 1988

Tikkoo floats $500m ultimate dream

Kevin Brown, Transport Correspondent, in London discusses the career of Indian-born entrepreneur, Mr Ravi Tikkoo (right), who has announced plans to build the world's largest ship





MR RAVI TIKKOO yesterday announced plans to build the world's largest cruise ship, which will be double the size of the Queen Elizabeth II.

The $500m contract will go to the British state-owned Harland and Wolff shipyard in Belfast, Northern Ireland, and could provide it and its sub-contractors with thousands of jobs at a time of increasing pessimism in the British shipbuilding industry.

The futuristic vessel, codenamed the "Ultimate Dream", is virtually a small floating town and will weigh-in at 160,000 gross registered tons. Passengers' cabins will be built like hotel complexes on top of the ship, each with its own balcony and sea-view. There will be three penthouses.

The 3,000 passengers will have the use of 12 swimming pools, tennis courts, a 1,500-seat theatre and eight restaurants and shops.

Indian-born Mr Tikkoo, one of the most controversial entrepreneurs of the 1970s, said that he had signed heads of agreement with Harland for the ship and expected to place the order in September.

However, the deal depends on the availability of cover for commercial loans from the Export Credits Guarantee Department, and subsidies from the UK Government through its shipbuilding intervention fund.

Mr Tikkoo said he expected ECGD cover to be available for 80 per cent of the contract price at the normal fixed rate of interest of 7¼ per cent over eight years.

Harland declined to say what element of subsidy was built into its quote for the order, but the yard is likely to be seeking the maximum allowed under European Community rules. This could be up to 28 per cent of the contract price.

The Government has a long-standing commitment to maintain Harland, which lost £58m ($110m) last year. Mr Tom King, the Northern Ireland Secretary, said questions about the extent of government funding were "slightly premature."

Mr Tikkoo was in super-confident mood yesterday, refusing to countenance the possibility that his "Ultimate Dream" might fail, and urging journalists to "show some belief in our country."

He had less to say about his life since 1979, when he faded from public view after a decade in the news as racehorse owner, shipping magnate and strike-breaker.

A mathematics graduate of Punjab University, Mr Tikkoo, 56, served seven years as an officer in the Indian Navy before becoming a British citizen in 1969 and making a fortune estimated by some at £50m.

His business career started with a courageous order for the world's two largest crude oil carriers to be operated by his privately owned Globtik group.

This was at a time in the early 1970s when other shipowners thought the idea suicidal. Mr Tikkoo was careful, however, to fix long-term charters with Japanese companies before ordering the ships, so insulating himself from the effects of the twin oil shocks later in the decade.

Then he sold the ships to Liberian companies, correctly anticipating a downturn in demand for very large and ultra large tankers.

He turned, in the late 1970s, to ships in the "handy-size" class of around 80,000 deadweight tons, and ordered six of a new class known as Afra-max designed to carry West African and Caribbean oil to the US.

Three were later sold and the others, the only ships now owned by Globtik, are on long-term charter to Texaco, the US oil company.

There were other ideas which did not come to fruition, however, including a plan to order three 600,000 deadweight tons tankers which were to be nuclear-powered.

The Globtik group was also involved in a long-running battle with maritime trade unions after a strike-bound ship moored in Le Havre was stormed by British seamen brandishing iron bars.

The Filipino crew of the ship later suggested they had been manipulated by French Communists, but Mr Tikkoo's action was branded "despotic" by the British Labour Government.

He was rarely out of the gossip columns as he ran a string of race horses and directed his business empire from a mansion in London's fashionable Hampstead district.

In 1977, however, he decided he had had enough of Britain, claiming the tax system was unfair. His business interests were moved to the Bahamas, and the Hampstead mansion sold to King Khaled of Saudi Arabia for £3m.

Two years later he was back in London celebrating the Conservative victory in the general election and praising Mrs Margaret Thatcher, the incoming Prime Minister. Globtik remains a Bahamas-registered company, however, and is managed from New York.

Mr Tikkoo confined himself yesterday to confirming that he remained a racing man, with "a few" horses, and is currently living in Mayfair, London.

As a private company, Globtik does not issue financial information, but Mr Tikkoo's son Vickram, who manages the New York operation, confirmed that the family finances were in good shape following the disposal of most of the tanker fleet.

Hilary Barnes in Copenhagen reports on the implications of parliament's N-arms vote

Danish leader calls snap election

MR POUL SCHLUETER, Denmark's Prime Minister, yesterday called a snap general election for May 10 on the issue of the country's continued full participation in the North Atlantic Treaty Organisation (Nato).

He told Parliament yesterday that Denmark's role in the alliance was endangered by a resolution passed by a left-centre majority last week requiring the Government to inform visiting warships that the country does not permit nuclear weapons on its territories in time of peace.

The resolution brings Denmark into open conflict with the British and American policy of neither confirming nor denying the presence of nuclear weapons on their ships.

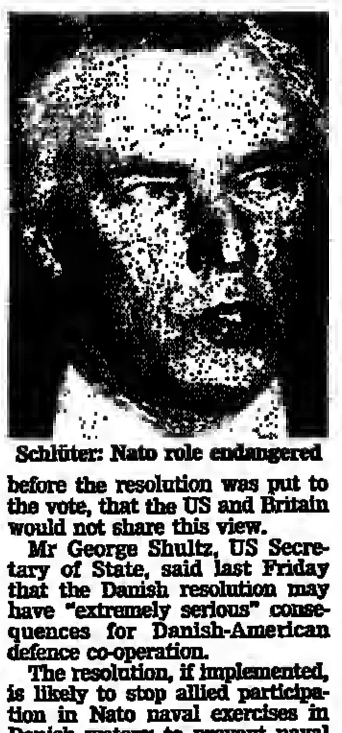
The opposition Social Democrats, who sponsored last week's resolution, accused the Government of bowing to pressure from the UK and US governments.

Mr Schlüter, whose four-party minority coalition was returned to power only eight months ago, called the election in the full knowledge that there would have to be an unprecedented shift in seats in Denmark's nine-party Folketing (parliament) to give his coalition the clear majority it wants on the issue.

The policy encapsulated in last week's resolution has been shared by successive governments since 1956, but until now it has existed as a general statement, coupled with an assumption that it was respected by visiting warships.

"The resolution changes nothing. We have had the same policy for the past 30 years," said Mr Svend Auken, leader of the Social Democratic Party, which remains, it says, firmly in favour of Denmark's Nato membership.

But Mr Auken knew full well,



Schlüter: Nato role endangered

before the resolution was put to the vote, that the US and Britain would not share this view.

Mr George Shultz, US Secretary of State, said last Friday that the Danish resolution may have "extremely serious" consequences for Danish-American defence co-operation.

The resolution, if implemented, is likely to stop allied participation in Nato naval exercises in Danish waters; to prevent naval visits to Danish ports by the allies; and prevent the allies from holding exercises in Denmark with troops from the UK, thus threatening the reinforcement policies at the core of Denmark's defence and the reason for its membership of Nato.

Since 1982, Mr Schlüter's coalition – of his own Conservatives, the *Liberals* (led by Mr Uffe Ellemann-Jensen, the Foreign Minister), the Christian People's Party and the Centre Democrats – has been able to scrape together majorities for economic policy with the backing of the Radical Liberals. But there has been a defence and foreign policy majority against the Government because the Radicals, with a long pacifist tradition, support the left on defence and foreign policy.

This opposition grouping only came about, however, when in 1983 the Social Democrats, then led by former Prime Minister Mr Anker Joergensen, changed the policies which they had supported when in office (until October, 1982). In particular, using the foreign policy majority against the Government, they opposed deployment of INF missiles in Europe, stopped Denmark's payments to the Nato joint infrastructure funds covering the deployment and began to support the idea of a formalised Nordic nuclear-free zone (the Nordic countries are *de facto* non-nuclear already).

The Social Democrats, for long the backbone of Danish politics, are under pressure from the gradual rise of the Socialist People's Party, a non-Communist left-wing party formed in 1960, which is opposed to both membership of the European Community and Nato. In the last election, the party increased its vote from 11 to 14.6 per cent and it could make make further gains this time.

The Social Democratic leaders, undoubtedly reflecting the views of party activists, but tempted, too, by the opportunities for inflicting parliamentary defeats on Mr Schlüter, have adjusted their policies to bring them more into line with the Socialist People's Party and "step by step distancing us from the alliance," as Mr Schlüter claims.

Aside from Nato, a second election issue will be the credibility of Mr Auken as leader of the country'e largest party and as potential Prime Minister.

Mr Schlüter claims that the April 14 resolution came to the vote only because Mr Auken broke an agreement with the Prime Minister over Folketing procedure. Mr Auken claims there was no agreement.

The Radicals, who hold the balance between left and right, have made it clear they will not back Mr Auken for Prime Minister. In fact, Mr Niels Helweg Petersen, the Radical leader, backed by 11 members in the 179-seat Folketing, says he sees himself as "leader of negotiations" to establish a post-election government, and therefore as a potential prime minister in a situation in which neither right nor left has a majority.

The issue which prompted the election, meanwhile, will almost certainly continue to complicate Denmark's relationship with Nato. It is unlikely Mr Schlüter can count on a big enough win to give the Government a defence and foreign policy majority, even if he can count on widespread popular support for Nato membership to give the government parties some gains.

The Government is also in a weak position in its pursuit of a coherent economic policy, where the dominant problem is a 25-year deficit on the current balance of payments and a net foreign debt which has reached almost 130 per cent of exports.

Mr Erhard Jakobsen, Minister for Economic Policy Co-ordination and one of the veterans of Danish politics, believes that this election, coming so soon after the last one, could be followed by yet another next winter because it will not be possible to find a majority for the 1989 Finance Bill. Right or wrong, Mr Jakobsen's concern emphasises the mess into which Danish politicians have got themselves.

De Mita warns of crisis

Continued from Page 1

has set a 1992 deadline for balancing the budget net of intereet payments on public debt. An immediate start would require cutting the projected 1988 deficit of L122,000bn ($99bn) by at least L6,000bn-L7,000bn. In succeeding years, the ordinary deficit would have to be reduced by at least L7,000bn-L8,000bn a year.

However, these objectives were implicitly rejected earlier yesterday by a seemingly exasperated governor of the Bank of Italy, Mr Carlo Azeglio Ciampi. Speaking at a conference in Rome organised by Euromoney magazine, Mr Ciampi asserted thet annual reductions of at least L10,000bn were feasible and desirable.

After several years of lecturing governments on the need for greater public spending discipline, he warned that public finances were now in a chronic state and that the longer reform was delayed "the more difficult and costly it becomes."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	S	16	61	Malta	S	21	70	Rhodes	S	15	59
Algiers	C	21	70	Edinburgh	F	13	55	Manchester	F	15	59	Rio de Jo	C	29	84
Amsterdam	F	21	70	Faro	S	20	68	Manila	F	36	97	Rome	S	18	64
Athens	F	14	57	Florence	S	22	72	Melbourne	-	-	-	Salzburg	S	21	70
Bahrain	C	32	90	Frankfurt	S	23	73	Mexico City	C	28	83	San Francisco	R	19	66
Bangkok	F	34	93	Funchal	F	20	68	Miami	S	24	75	Seoul	C	13	55
Barcelona	R	15	59	Geneva	S	18	64	Milan	S	21	70	Singapore	R	32	90
Beirut	F	21	70	Gibraltar	F	21	70	Montreal	F	1	34	Stockholm	F	10	50
Belfast	F	15	59	Glasgow	C	11	52	Moscow	C	7	45	Strasbourg	S	23	73
Belgrade	C	13	55	Guernsey	C	11	52	Munich	S	21	70	Sydney	C	21	70
Berlin	S	21	70	Helsinki	S	8	46	Nairobi	-	-	-	Taipei	F	25	79
Biarritz	R	13	55	H. Kong	C	25	77	Naples	S	19	66	Tangier	C	19	66
Bombay	-	-	-	Innsbruck	S	21	70	Nassau	F	24	75	Tel Aviv	S	23	73
Bordeaux	R	13	55	Inverness	C	8	46	New Delhi	F	37	98	Tenerife	S	22	72
Brussels	S	23	73	Islamabad	C	31	88	New York	F	4	39	Tokyo	F	22	72
Budapest	F	20	68	Istanbul	C	7	45	Nice	C	16	61	Toronto	C	2	36
B Aires	C	23	73	Jakarta	R	34	93	Nicosia	C	20	68	Tunis	F	26	79
Cairo	F	26	79	Jersey	R	13	55	Oporto	C	15	59	Valencia	C	20	68
Cape Town	-	-	-	Jo'burg	F	20	68	Oslo	F	7	45	Venice	S	15	59
Caracas	C	29	84	Lima	F	24	75	Paris	F	22	72	Vienna	S	19	66
Casablanca	-	-	-	Lisbon	F	18	64	Peking	-	-	-	Warsaw	F	14	57
Chicago	F	1	34	London	C	16	61	Prague	F	21	70	Washington	C	7	45
Cologne	S	24	75	Los Angeles	C	14	57	Reykjavik	S	1	34	Zurich	S	20	68
Copenhagen	C	10	50	Luxembourg	S	21	70								
Corfu	S	17	63	Madrid	C	16	61								
Dallas	-	-	-	Majorca	F	20	68								
Dublin	F	15	59	Malaga	C	22	72								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Airbus and Boeing likely to win Cocom support

Continued from Page 1

Boeing 707, making it the prime exception of the otherwise closed Eastern bloc market.

The expected Cocom decision will, in particular, clear the way for the four-nation Airbus consortium to clinch a $130m order for two A-310 wide-body aircraft with Interflug, the East German airline.

The Airbuses are scheduled to be delivered by spring next year under an arrangement in which the aircraft will be sold to a Western banking consortium and then leased to Interflug. Maintenance will be carried out in the West by Lufthansa, the West German airline.

Airbus, together with Boeing and McDonnell Douglas of the US, is also talking about possible orders with most other Eastern European nations, though not with the Soviet Union.

Pratt & Whitney and General Electric, the US engine manufacturers which supply the A-310, have both lodged individual CoCom applications in connection with the Interflug deal.

To ease maintenance, it is likely that Interflug will opt for the *GE engines since these* are also fitted on Lufthansa's A-310s.

Setting a precedent for the clearance of the Airbus and Boeing export applications, Cocom recently approved a small Spanish civil aircraft sale to Poland.

This deal was allowed subject to conditions on spare parts and maintenance, expected to establish a model for future treatment of airliners delivered to the East.

West Germany has played a leading role in pressing for more liberal Cocom rules for both political and economic reasons.

Underlining the new climate of technological co-operation, Siemens, the West German electrical group, announced yesterday that its Kraftwerk Union power division had won a landmark order from East Germany for equipment to monitor radioactivity at the Soviet-designed Greifswald nuclear power complex in the north of the country.

Although the equipment is believed to be worth only a few *million marks, it is the first time* that Siemens has secured an order for part of an East German nuclear plant.

Israel expels eight more Palestinians

By Andrew Whitley in Jerusalem

ISRAEL yesterday expelled eight more Palestinians, as government officials warned that Saturday's killing of Mr Khalil al-Wazir, the PLO's military chief known as Abu Jihad, could have a negative effect on the Middle East peace process.

Six residents of the West Bank village of Beita, where a Jewish teenage girl was killed two weeks ago, were among those deported to southern Lebanon.

Despite an army report which concluded that the girl died accidentally – from a bullet fired by one of her escorts – retribution against the Palestinian villagers involved shows no signs of slackening.

The latest deportations, which bring the total so far this year to 20, were carried out in the same *manner as that of an earlier* batch of eight prominent activists last week. Taken to the edge of an Israeli-controlled strip of southern Lebanon, they were left at the village of Zemraya.

Mr Yitzhak Shamir, the Israeli Prime Minister, and other Israeli officials have said that deportations would continue, despite continuing worldwide condemnation. Both Britain and the US strongly criticised last week's action.

As Israelis continue to bask in undisguised satisfaction over the assassination of the PLO military chief in Tunis, details are slowly beginning to emerge.

Military censorship in Israel on the publication of details of the Tunis operation was partially lifted yesterday.

At a meeting of the policy-making inner Cabinet last Wednesday, which reportedly took the crucial decision to despatch a mixed force team to Tunis, opposition to the action is said to have been expressed by Mr Shimon Peres, the Foreign Minister, and Mr Ezer Weizman, a dovish former defence minister.

Mr Peres declined to comment on the killing yesterday. However, aides said privately that, in the short term, the action would complicate peace efforts, now at a highly delicate stage. Mr Weizman, a minister-without-portfolio, said on Israel radio that the assassination "has only minuses for Israel."

"It will certainly not silence terror and possibly intensify it," he said.

Judging by a Tunisian Government report released on Monday, the mission was a combined naval and air operation, involving about 30 sea-borne commandoes and an electronic warfare Boeing 707.

The official Tunisian news agency, Tap, said: "The enquiry established that Israel was implicated in this cowardly terrorist act which it planned and executed."

Israelis are fearful that Abu Jihad's death will signal the end *of an unofficial truce with the PLO* on overseas terrorism, and the country is bracing itself for a spate of retaliatory actions

THE LEX COLUMN

The fine art of flotation

Sotheby's second run at a market flotation represents a plucky denial of the wealth effect. Compared with the first attempt just before the crash, the price has been reduced by 20 per cent, bang in line with Wall Street's performance in the period. In a sense, this is fair enough. World auction sales in last year's fourth quarter were more than 20 per cent up on the year before; and while Christies – the only comparable stock around – underperformed the London stock market by 40 per cent in the crash itself, it has since recovered completely.

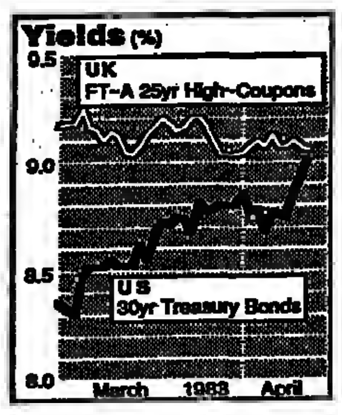
Further comparison with Christies is a little less satisfactory. Taking Sotheby's mid-price and adjusting for exceptionals, the historic multiple is 12 – exactly in line with Christies, and thus allowing nothing for the latter's stock market trading history. The forecast yield, too, is only 2.7 per cent, compared with Christies' historic 3.2 per cent. And while Sotheby's recent profit growth is the more spectacular, the recovery seems complete; margins on auction sales for the two companies now look roughly comparable.

Looking to the future, the optimistic investor will place more weight on Sotheby's harder-nosed commercial approach. That could well be right, but there is a further drawback. As investors in Britoil will recall, non-voting shares represent a material commercial risk to the shareholder if things go wrong. Christies has no such cosy protection, and surely deserves a premium to reflect the fact.

Nasdaq

The nerves of some Stock *Exchange practitioners must* be very frayed indeed if they take fright at the granting of official status to Nasdaq in London. Nasdaq screens have been arriving in the City since last year; all that happened yesterday was that the DTI sanctioned an existing operation as required under the Financial Services Act.

Even though the official blessing might have been a non-event, it has nevertheless served to highlight the efforts that Nasdaq is making in the London market. The US exchange, keen to offset falling volumes at home, now appears to be going all out to gain business elsewhere. However, London need not worry unduly over Nasdaq's new supersonic "Generation 3 Workstations" that are shortly to be installed in the UK. Less than 5 per cent of London's international stocks are also traded on Nasdaq; the only real area of competition is in ADRs, which were never London's bread and butter anyway.



Neither does the move mean that every stock exchange from Hong Kong to Vancouver will now be permitted to steal London's market share. It is no coincidence that Nasdaq is the UK's first approved overseas stock market: nearly all of the other exchanges are centred round a trading floor, and short of transporting that floor could not start up operations in London in any case.

The main casualty of Nasdaq's transatlantic step will not be London at all, bnt other US exchanges. Already 100 of the 130 ADR issues are listed on Nasdaq, and its convenient position in both time zones should ensure that its hold on that market continues to tighten.

Taylor Woodrow

To say that an investment in Taylor Woodrow is a gamble on the long term has become something of a cliche – but one which has paid off over the past five years, with the company's shares outperforming the market by 75 per cent. After yesterday's five per cent rise in the share price, though, prospects for beating the market over the short term look less encouraging.

Much will depend on how eagerly Taylor Woodrow exploits capital gains tax changes in the last Budget: some £16m in potential tax liabilities on pre-1982 properties will disappear thanks to the Chancellor, and selling them off could generate a good stream of tax-free profits. But with expectations for pre-tax profits this year coming in at around £90m – of which some £55m will come from housing and contracting – a prospective rating of just under 7 times earnings for that part of the business no longer looks cheap.

It is the third leg, though, which will probably sustain the cliche about long term outperformance past the end of the decade. By the end of the year, some 40 per cent of Taylor Woodrow's profits should be coming from property, and the glamorous St Katherine's Dock development still has a lot to give. Contracting is over the worst, Channel Tunnel profits are on the horizon and the chance to make money from privatised electricity is a windfall from the Government. Housing profits are strong in both the US and the UK, and even if one falters the other is not certain to follow.

Wall Street firms

A couple of points emerge from yesterday's batch of better than expected first quarter figures from the New York investment banking community. First, firms such as PaineWebber, which are heavily dependent on the US retail brokerage business, are continuing to make reasonable profits despite the sharp drop in their traditional commission income. The second, and more worrying point, is that while current profitability is being boosted by the fat fees associated with the US merger and acquisition boom, the bulk of the profits is being earned from a far smaller base of business than before, which underlines why the sector continues to trade at a discount of more than a third to the market.

Morgan Stanley, whose shares continue to trade at a very substantial premium to its $43 per share book value, has so far proved to be an exception. While other firms have been reporting falls of more than a third in first quarter profits, yesterday it announced record quarterly earnings of $98.6m, which is 44 per cent more than Merrill Lynch earned on a capital base three times as large. Its ability to push its profits ahead, despite a very substantial commitment to building up its overseas operations in London and Tokyo, is impressive, and the $120m of almost pure pre-tax profit it has generated on the one-year-old leveraged buy-out of Cain Chemical shows the scale of the profits which can be earned in this high risk area. Unlike First Boston, Morgan Stanley is lucky that few of its highly paid deal-makers have yet decided to abandon ship.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday April 20 1988

Mixed performances for Wall St investment banks

BY ANATOLE KALETSKY IN NEW YORK

WALL STREET investment houses yesterday revealed sharply divergent performances in the first quarter, with several big institutions still reeling from the damage they suffered last October, while at least one big investment bank, Morgan Stanley, continued to generate excellent results.

Morgan Stanley, which was one of the few Wall Street institutions to pass through the crash virtually unscathed, remained on its winning streak in the first quarter, with a 53 per cent jump in net profits.

Meanwhile, First Boston, which was one of the biggest victims of October's market turmoil, reported a 44 per cent decline in profits, and PaineWebber, a retail-oriented brokerage house, said its earnings per share had fallen by more than half.

Last week, Merrill Lynch, one of the biggest US brokers, announced that its earnings had fallen by 87 per cent. In another related announcement, Drexel Burnham Lambert, the controversial privately held investment house which does not disclose quarterly earnings figures, implied in its annual report that its profits in 1987 fell about 79 per cent.

Morgan Stanley's net income of $98.6m or $3.82 a share was well ahead of most optimistic projections and the group's share price advanced $2⅞ to $71¼ immediately after the result were announced. In the first quarter of 1987, Morgan Stanley made $64.3m, or $2.54 a share.

The company also reiterated that the current quarter's profits were going to be boosted by a $120m pre-tax investment gain from Cain Chemical, a company which Morgan Stanley had acquired in a leveraged buyout and sold last week to Occidental Petroleum.

Some of the company's recent profits will be distributed to shareholders through a $100m share buyback announced yesterday along with the first-quarter results. While the company itself will be buying back this equity, up to 3m additional shares, worth about $210m, will be offered to outside shareholders by the company's current and retired employees. About three-quarters of Morgan Stanley's equity is owned at present by its employees.

Morgan's total revenues increased 30 per cent to $975m, while expenses rose 28 per cent to $816m and the tax charge jumped nearly 50 per cent to $60m. Investment banking revenues increased in the quarter to $197m, which was $44m higher than a year earlier. Revennes from principal transactions and net interest receipts increased $60m to $267m, while commission revenues declined $5m to $63m.

First Boston, which suffered big losses in the first quarter in its trading of mortgage-backed securities, reported net income of $42m or $1.17 a share, down 44 per cent from the $76m or $2.09 a year earlier. Its revenues fell 30 per cent to $339m, with the declines spread across investment banking, principal transactions and commissions. First Boston said that its board had authorised stock repurchases of up to 2m shares, equivalent to 5 per cent of the firm's common stock.

PaineWebber's net income fell to $20.7m or 48 cents a share, from $32.6m or $1.05 a year earlier. Total revenues declined 4 per cent to $608m.

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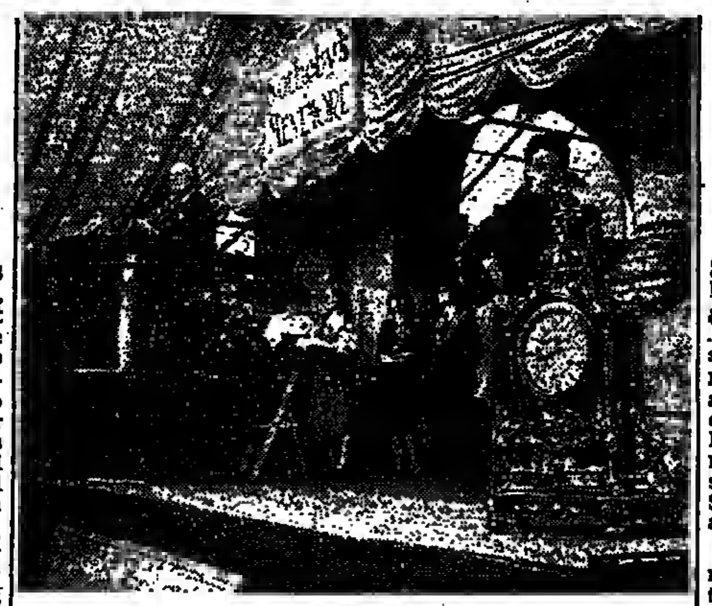

Sotheby's flotation revived in three lots

BY CLAY HARRIS IN LONDON

SOTHEBY'S Holdings, the international auction group, will be valued at up to $527m under its revived share flotation in London and New York. Trading in the shares may begin as soon as next month.

The maximum value is 18 per cent less in dollar terms and 43 per cent less in sterling terms than that envisaged under an offer which was postponed after the October stock markets crash. The lower estimate of the new offer values Sotheby's at $450m.

The auction group yesterday put flotation plans into high gear by filing an amendment to its previous registration with the US Securities and Exchange Commission. Preliminary listing particulars published in London revealed, meanwhile, that Sotheby's nearly trebled pre-tax profits to $39.1m on auction sales of $1.8bn and operating revenue of $279.2m in 1987. The offer price of $18 to $21 values the shares at 11.5 to 13.5 times post-tax earnings.

The UK allocation of 1.5m shares, to be placed by Salomon Brothers International and Lazard Brothers, is unchanged. Fewer shares, however, will be sold in a Salomon-led US offer – still the largest block at 2.8m – and in an international tranche of 1.1m offered by Salomon, Lazard and Cazenove.

The number of shares to be sold has been reduced from 7.2m to 5.5m, 22 per cent instead of 29 per cent of the outstanding share capital.

The expected proceeds of $99m to $116m, all of which will go to existing shareholders, compares with a pre-crash range of $165m to $187m.

The offer retains a two-tier voting structure which keeps existing shareholders in overwhelming control. Although representing 22 per cent of share capital, new shareholders will hold only 2.7 per cent of voting rights. The US shares will be listed on the American Stock Exchange, which has more permissive rules about such voting structures.

Formerly listed in London, Sotheby's was bought for £83m in 1983 by investors led by Mr Alfred Taubman.

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Citicorp income up 34% in buoyant banking sector

BY OUR NEW YORK STAFF

SEVERAL US commercial banks have annonnced substantial gains in first-quarter profits.

Citicorp, the industry leader, showed a 34 per cent advance in net income to $358m from $267m a year earlier. However, because of the bank's 40m share offering last September, the per share results were somewhat weaker, showing a 16 per cent gain to $1.01 a share from 87 cents year ago.

Citicorp noted that an improvement in investment banking, particularly in Europe, had been a big factor in turning round its large investment banking business since last October's crash.

The company raised its dividend by 9.6 per cent to 37 cents a share per quarter "reflecting its continued confidence in the underlying earnings momentum of the core businesses."

Like several other leading New York banks, Citicorp made some of its biggest profits in foreign exchange trading, where revenues almost doubled to $166m in the last quarter, compared with $89m a year ago. Citicorp noted that profits in its investment banking business, which includes foreign exchange trading, had recovered sharply to $155m. This compared with $140m a year ago and an "unusually poor" crash-related $50m in the last quarter of 1987.

Another area of big gains was in the bank's provisions for credit losses. These fell to $283m, compared with $474m in the first quarter of 1987. Citicorp's total assets grew by 3 per cent to $202.9bn in the year to March, while its ratio of common equity to assets declined to 3.6 per cent from 3.9 per cent.

Wells Fargo, the 11th-largest US bank group, reported a 58 per cent jump in quarterly earnings to $120.4m or $2.15 a share, from $78.3m or $1.36 a year earlier. The San Francisco-based bank said its net interest margin had improved to 4.76 per cent from 4.61 per cent a year earlier, while its non-interest expenses had been reduced by 2 per cent to $371.6m. Total assets increased by 1 per cent to $44.5bn, while the ratio of common equity to assets fell to 4.35 per cent from 4.53 per cent.

Mellon Bank, the troubled Pittsburgh-based institution which is the 16th-largest US bank in terms of assets, made a net profit of $25m or 65 cents a share in the first quarter, compared with a loss of $60m or $2.31 the year before. Mellon lost $844m, including Third World debt provisions, during 1987 as a whole. Mellon's total assets shrank 10.3 per cent to $30.9bn from a year before, while its common equity of $872m was just over half the year-earlier level. Its equity to assets ratio was 3.53 per cent.

Continental Illinois, the troubled Chicago-based bank group which is still operating under federal government supervision, reported net income of $68.5m or 28 cents per common share, compared with $43.1m or 16 cents in the first quarter of 1987.

Complex regrouping for Pirelli

BY ALAN FRIEDMAN IN MILAN

ITALY'S Pirelli group last night unveiled an extremely complicated reorganisation of its shareholding structure aimed at producing, for the first time, a consolidated balance sheet.

The Milan-based tyre and cables concern, Italy's fourth biggest private sector company, meanwhile revealed a 24 per cent rise in its 1987 unconsolidated group net profit to $175m. The profit was struck on 1987 sales of $5.6bn, up 18 per cent on 1986.

The Pirelli reorganisation plan, which comes after repeated criticism of the group's lack of consolidated accounts, will eliminate the unwieldy structure which at present has group operations in 16 countries controlled by three separate entities - a Milan holding company, Pirelli SpA, and two Swiss holding companies, Société Internationale Pirelli (SIP) SA and Pirelli Société Générale SA.

Under the new plan, the Basle-based SIP will transfer to Pirelli SpA all its operations except for 30 per cent of the tyre businesses. SIP's holdings previously amounted to 37 per cent of worldwide activities.

Pirelli SpA will compensate SIP not with cash, but with the issue of its own shares through a rights issue to be reserved exclusively for SIP. Mr Giulio Pampuro, deputy finance director of Pirelli, said last night this transfer of shares - which Pirelli says will be worth between L900bn ($726m) and L1,000bn ($806m) - will have the effect of diluting the equity owned by all other Pirelli SpA minority shareholders, of which there are 30,000.

Also, Pirelli and Company, the Milan holding vehicle which itself owns 18.8 per cent of Pirelli SpA (90m shares), will transfer this stake to SIP. In exchange, SIP will transfer 18 per cent of its shares to Pirelli and Company, bringing the latter's stake in SIP to between 35 per cent and 40 per cent. At the end of the day, Swiss-based SIP will be Pirelli SpA's biggest shareholder, with between 45 per cent and 50 per cent of the company.

Mr Pampuro said that Mediobanca, the Milan merchant bank that is also a shareholder in Pirelli SpA, would "have a financial role" in assisting SIP and Pirelli and Company with their transfers "in order to minimise the capital gains tax" exposure that might otherwise result from the deal.

Merck jumps 35% on new heart drugs

BY OUR NEW YORK STAFF

MERCK, the big US pharmaceuticals group, yesterday reported a powerful surge in first-quarter net income, due to the runaway success of its new cardiovascular drugs.

The New Jersey company extended the string of earnings gains which have made it a Wall Street favourite with a 35 per cent increase in net income to $271.4m. Earnings per share were $2.06, up a larger 40 per cent because Merck bought back some of its stock last year.

Merck, which is the largest US drugs company purely devoted to discovering and marketing pharmaceuticals, said its sales rose 29 per cent. Seven percentage points of that growth came from the rising value of sales in foreign currencies relative to the dollar. Merck is the only big US drugs company to derive more than half its sales overseas.

Dr Roy Vagelos, Merck's chairman, said: "Sales growth for the quarter, a company record, was led by new products. Strong unit volume gains were registered by both our domestic and international operations."

The strong performance, which exceeded Wall Street's best hopes for the company, sent Merck stock up $2 to $159⅝.

The main contribution to the quarter's growth came from Vasotec, the most successful of a new class of treatments for high blood pressure called ACE inhibitors, which was introduced in the US only two years ago. The drug is thought likely to be heading for $1bn in sales this year.

Merck also said that Prinivil, its second ACE inhibitor, has been gaining acceptance since its introduction in the US in January.

Merck also said that Mevacor, its drug for lowering cholesterol, has been well received since it was introduced last September.

Bethlehem Steel seeks $150m to cut debt

By James Buchan in New York

BETHLEHEM STEEL, which has staged one of the most dramatic recoveries in recent US business history, said yesterday it would return to the stock market to raise up to $150m to help reduce its still onerous debts.

Bethlehem, the third-largest US steelmaker, which is enjoying a surge in demand and relatively strong product prices, also announced it was in a position to begin clearing the dividend arrears on three issues of preferred stock.

The double announcement comes in sharp contrast to Bethlehem's condition just two years ago, when it was sinking fast because of a weak steel market and heavy debt and pension liabilities. After five years and $2bn in losses, Bethlehem was thought to be the next candidate for bankruptcy after LTV and Wheeling-Pittsburgh. At that time, its stock fell to less than $5.

However, last year, Bethlehem reported its first profit since 1981 with earnings of $174.3m and its stock price surged to $20. Last October, Bethlehem raised $186m in equity capital through the issue of 12m shares.

The latest issue is for 8m shares and could raise np to $150m after expenses at yesterday morning's price of $20¼, down $¼. The proceeds will go to funding a portion of Bethlehem's crippling $1.9bn in pension liabilities, which are due to former steelworkers but were left unfunded during the crisis years.

Paying off the arrears on the preferred stock will cost $22.5m.

MCI scores record $69m earnings in first quarter

BY RODERICK ORAM IN NEW YORK

MCI, the second largest US telecommunications carrier after AT&T, has reported record results for the first quarter, thanks to increased traffic and bigger operating margins.

Net profits for the three months ended March 31 were $69m or 24 cents a share, against $25m or 9 cents a year earlier. Revenues rose to $1.13bn from $955m, reflecting a 39 per cent increase in volume from a year earlier and a 14 per cent rise from the previous quarter.

Mr Bert Roberts, president, said: "These results reflect MCI's success in increasing its market penetration while keeping a firm grip on costs...trends we expect to continue in the future." Operating margins rose to 8.9 per cent from 5.4 per cent a year earlier.

MCI had a pre-tax gain of $28m in the latest quarter and a charge of $8m from the sale of assets. A year earlier it had a non-recurring pre-tax gain of $12m. Pre-tax profits were $69m, against $25m.

Revenue growth was boosted by the expansion of MCI's international services which allowed customers after January 19 to reach any country in the world which offers direct dialling.

At US Sprint, one of MCI's competitors, first-quarter loss was greater than the previous quarter's because of higher marketing and other costs related to improving customer service.

GTE reported a first quarter net profit of $286m or 84 cents a share, against $265m or 78 cents, on revenues of $3.9bn, against $3.7bn.

Strong growth in sales buoys profits at 3M

By Our New York Staff

MINNESOTA Mining and Manufacturing has reported a sharp gain in first quarter profits following strong demand at home and abroad for its widely diversified industrial products.

Net earnings for the three months ended March 31 rose 30 per cent to $277m, or $1.22 a share, in line with forecasts, from $213m, or 93 cents, a year earlier. Revenue rose 17.9 per cent to $2.6bn from $2.21bn.

Demand for its products grew 12 per cent in the US led by its life sciences and information and imaging technology sectors. Foreign sales rose 15 per cent.

Peek makes £107m bid for Dubilier

By Andrew Hill in London

PEEK, the electronics and technology company, is making a recommended bid for Dubilier International, the manufacturer of electronic connectors, which would more than double Peek's size. The all-shares deal values Dubilier at about £107m ($195m).

At Peek's request, the Stock Exchange is investigating a sharp rise in Dubilier's share price ahead of the official announcement of the offer. From 141p in the middle of last week, the shares had reached 176p before dealings were suspended on Monday afternoon.

Mr Kenneth Mand, the South African industrialist who took control of Peek as a shell company in August 1986, said the merger would significantly expand Peek's product range and customer base.

The combined group would have annual sales of between £60m and £70m and estimated pre-tax profits of more than £13m.

Peek would also acquire a £30m cash balance, the product of Dubilier's £37m sale last month of Beswick, its circuit protection subsidiary, to Cooper Industries, a Texas-based electrical and industrial manufacturer.

Peek has irrevocable acceptances from only 5 per cent of Dubilier's shareholders making a rival bid a possibility.

Some analysts suggested yesterday's deal was in effect a disguised rights issue, supplying Peek with funds in exchange for shares.

Dubilier shareholders will be offered 15 new Peek shares for every four Dubilier shares held. When the market opened yesterday this valued the company at about £114m, but Dubilier shares rose more than 16 per cent during the day to close 35p up at 211p, while Peek fell 4p to 62p.

Wang advances to $22m

BY OUR NEW YORK STAFF

WANG LABORATORIES has reported third-quarter earnings lower than analysts had forecast, reflecting some slowness in orders in January and February for its computer equipment.

Net profits for the three months ended March 31 were $22.7m or 14 cents a share – compared with forecasts of 20 cents – against $5.9m or 4 cents a year earlier. Revenues rose to $767.9m from $745.9m.

Net profits for the nine months were $79.3m or 48 cents a share, compared with a loss of $102.7m or 65 cents a year earlier, when Wang undertook heavy restructuring. Revenues were $2.25bn against $2.01bn.

Honeywell, the electronic controls and defence equipment group, has reported first-quarter net profits of $57.7m or $1.36 a share, up 32 per cent from $43.7m or 96 cents a year earlier. Revenues rose 17 per cent to $1.73bn from $1.48bn. The latest results include a $5m, 12-cents-a-share gain from asset sales.

FN Herstal losses rise slightly to BFr1.5bn

BY WILLIAM DAWKINS IN BRUSSELS

FABRIQUE Nationale Herstal, the troubled arms and aeronautics affiliate of Société Générale de Belgique, has reported its second consecutive year of losses and reduced sales and revealed it is negotiating with creditor banks for its second large capital restructuring in 12 months.

The group, 42 per cent owned by the beleaguered La Générale, turned in a consolidated BFr1.5bn ($43.2m) loss last year, slightly up on the previous 12 months' BFr1.45bn deficit. Sales slipped by 15.3 per cent to BFr23.8bn.

The 1986 figures have been restated to account for Browning, the civil arms and ammunition maker, which was turned from a division into a subsidiary in January last year.

FN attributes the decline to lower than expected orders from aeronautic and defence industry customers, aggravated by the impact of the dollar's fall on its export competitiveness and financial difficulties experienced by several government clients.

FN's traditional markets started to slow in the early 1980s, but the company's recent problems stem from an unsuccessful attempt to diversify into leisure and civil aeronautics.

Browning, the famous small arms maker, was the only bright spot in an otherwise dismal performance, showing an increase in profits to BFr168m net on sales of BFr7.7bn. Comparative figures for Browning were not available.

The group said last year's restructuring plan, which followed the announcement of the loss of 1,000 of the 8,000-strong workforce, was producing significant improvements in organisation and production costs. Nevertheless, it was negotiating with La Générale, the regional government of Wallonia, and its main lending banks for another capital injection.

Pokphand share offer heavily oversubscribed

BY DAVID DODWELL IN HONG KONG

HONG KONG investors have subscribed almost HK$28bn (US$3.59bn) – more than one-third of the territory's total money supply – for the 109.5m shares being offered to the public by C.P. Pokphand, a Thai-controlled agri-industrial group.

The offering was one of the most heavily oversubscribed share launches ever mounted in Hong Kong and certainly the most successful since the world stock market crash six months ago. There were effectively 283 subscriptions for every share.

C.P. Pokphand is controlled by the Charoen Pokphand group in Thailand, which claims to be one of Asia's largest agricultural products enterprises with turnover last year of HK$1.2bn. It will be the first Thai company floated on the Hong Kong Stock Exchange, with 25 per cent of its shares in public hands.

It encompasses trading operations and property interests, as well as two of the parent company's 11 ventures in mainland China.

The issue, priced at HK$1 per share, has been managed and underwritten by Standard Chartered Asia. Each new share will have one free warrant attached to it, which can be exercised at a price of HK$1.50. This means the group could ultimately raise about HK$250m, much of which will be used to reduce debt and to fund growth in China.

Subscriptions closed last Friday, effectively escaping a major local correction in share prices which saw 150 points pared from the Hang Seng Index between the market closing on Thursday and the close on Monday. Since then, share prices have recovered a little, with the Hang Seng Index closing 41.97 points up yesterday at 2,593.93.

It is unclear how the current volatile investment environment will influence the prospects of those subscribers for C.P. Pokphand shares who hoped to earn quick profits from the issue by reselling shares immediately.

Those who subscribed on the basis of loans raised from banks face the prospect of losing money despite the success of the issue, since the price of Pokphand shares when dealing begins on April 28 is unlikely to offer a sufficient premium above the issue price to outweigh bank interest charges.

Chairman of Parry replaced

MR KEVIN PARRY, the founder of Parry Corporation, a West Australian entrepreneurial investment company, was ousted as its chairman yesterday as Hang Lung Development of Hong Kong tightened its grip on the company, AP-DJ reports from Perth.

At a board meeting, Mr Parry was replaced as chairman by Mr Ken Court, a director of Parry Corporation, while Mr Laurie Humphry was moved up from chief general manager to chief executive.

Mr Court said Hang Lung would proceed with a planned requisition to call a shareholders' meeting to remove Mr Parry as a director as well.

Hang Lung says it is entitled to 32 per cent of Parry Corporation's shares, acquired after they plunged in October's stock market crash. It directly holds 14.9 per cent and recently won three positions on Parry Corporation's seven-member board.

The Hong Kong company has arranged a A$10m (US$7.5m) loan for Parry Corporation as part of a capital reconstruction. Mr Court said about A$30m to A$40m of extra capital is needed to bail out the company, which reported losses of A$131.9m for the half year ended last December.

The company has interests in retailing, gold mining and property. It has cancelled key development projects and tried to sell assets to conserve cash.

Colour bar limits production at Loraine

BY JIM JONES IN JOHANNESBURG

GOLD MINES in South Africa's Orange Free State province appear to be plagued by shortages of skilled labour. Loraine, managed by the Anglovaal group, yesterday reported the same problem as Harmony, which earlier this week said production had been affected by shortages which would only be overcome when the Government scrapped the colour bar on jobs in the mines.

Ore production was affected by a shortage of men with blasting certificates and the problem is expected to continue for the rest of this year. The mine processed only 351,000 tonnes of ore in the March quarter, against 382,000 tonnes in the three months to December, and an increase in the average gold recovery grade was insufficient to prevent a drop in gold production.

In contrast, Hartebeestfontein and Eastern Transvaal Consolidated Mines both increased gold production. Harties' underground tonnage and grade dipped but the mine's recently commissioned residue reprocessing plant built up to its rated 120,000 tonnes a month capacity and more than made up the decline in underground ore production.

ET Cons operates three comparatively small mines in the mountains above the Eastern Transvaal town of Barberton. It increased gold production by raising its ore processing rate, even though the average gold recovery slipped to 10.1 grams per tonne (g/t) from the December quarter's 10.4 g/t.

The company is close to bringing a fourth mine into production and is evaluating other prospects in the vicinity.

Anglovaal's three mines have continued with their forward trading activities as a means of stabilising future gold revenues, even though the rest of the industry has largely abandoned hedging transactions.

ANGLOVAAL GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Mar 88	Dec 87	Mar 88	Dec 87	Mar 88	Dec 87
E. Tvl Cons	919	894	11.38	15.24	89.1	89.4
Hartebeest	8,040	7,946	82.12	68.77	44.7	37.7
Loraine	1,990	2,007	6.50	6.61	16.7	5.2

Earnings per share calculated after capital expenditure.

JCI gold mines buck the trend

BY OUR JOHANNESBURG CORRESPONDENT

RANDFONTEIN and Western Areas, the two producing gold mines managed by the Johannesburg Consolidated Investment (JCI) group, have bucked the poorer profit trend which has been evident at most other South African gold mines in the March quarter.

The improvement, based on higher recovery grades, was not sufficient to return Western Areas to an operating profit but Mr Ken Maxwell, that mine's managing director, expects profits will be generated before the end of 1988.

Western Areas is mechanising its operations and has been able to reduce employee numbers. The unit cost of mining and processing each tonne of ore dropped to R106.92 in the March quarter from the December quarter's R116.92 and a further drop is expected, though it will be mitigated by wage increases for white workers due next month and higher pay for black miners normally paid at the start of July.

The gold recovery grade is reported to be on a slowly rising trend and increased to 3.33 grams per tonne (g/t) in the March quarter from 3.30 g/t in the December period.

Randfontein's operations improved in much the same way. A greater tonnage of underground ore and a smaller amount of low-grade surface dump material was processed, leading to a higher overall recovery grade and increased unit costs. Nevertheless the operating profit from gold increased.

Randfontein faces an additional tax bill of R9.4m ($4.4m) in September following the imposition of a new minimum tax on companies (MTC) in the March national budget. Western Areas' MTC liability is R1.6m.

Unexpectedly heavy faulting and narrow reef widths have severely set back establishment of the H.J. Joel mine in the Orange Free State. The unfavourable geology has obliged the mine's engineers to replan stoping operations and to conserve development finance by delaying phase two of the mine's development.

Emphasis is now being placed solely on the first phase and initial ore production at a rate of 40,000 tonnes a month is now expected about a year from now. Production is planned to increase to 80,000 tonnes a month at the end of 1989 and phase two will be financed from profits generated by phase one production.

JCI GOLD QUARTERLIES

	Gold produced (kg)		After-tax profit (Rm)		Earnings (cents per share)	
	Mar 88	Dec 87	Mar 88	Dec 87	Mar 88	Dec 87
Randfontein	6,958	6,150	69.93	66.73	513.9	486.9
W. Areas	2,990	2,878	(2.85)	(10.48)	(26.7)	(42.3)

Earnings per share calculated after capital expenditure. Parentheses = negative

Smidth pays same despite fall in profits

By Hilary Barnes in Copenhagen

F.L. SMIDTH, the industrial conglomerate best known for the provision of cement technology, will pay an unchanged 8 per cent dividend despite a fall in net earnings to DKr71m ($11.1m) from DKr214m.

Net sales by the group, consisting of the parent and 123 subsidiaries, fell to DKr7.16bn in 1987 from DKr8.72bn and pre-tax profits were cut to DKr153m from DKr231m.

Smidth attributed the result, which followed three years of profit recovery, to difficult market conditions for several of its companies, causing staff reductions and extraordinary costs in redundancy payments, as well as depreciation on stocks and machinery and debt provisions.

A better performance was promised in 1988 after a major reorganisation has taken place, involving the establishment of a group administration.

Shell Australia to spend A$2.6bn over five years

BY OUR FINANCIAL STAFF

SHELL AUSTRALIA, the wholly-owned local subsidiary of Royal Dutch/Shell, is to maintain its development programme by spending A$2.6bn (US$1.95bn) over the five years to 1992.

The expenditure plans will require a A$150m capital injection from the parent this year. The rest will be drawn from cash flow and borrowings.

About A$1bn will be devoted to petroleum exploration and production, including the company's share of the North-West Shelf natural gas project and development of the Saladin oil fields.

This investment will be exceeded, however, by the A$1.2bn which the company proposes to put into refining and marketing. Specific downstream projects include the A$200m extension and upgrading of Shell's Clyde refinery in Sydney and a A$400m catalytic cracking unit which it will build at the Geelong refinery in Victoria.

The metals, chemical, coal and service businesses will absorb the rest of the funds. Mr Kevan Gosper, the chairman, said the company had invested about A$3bn in the country since 1981.

This had gone into new ventures in petroleum, natural gas, petrochemicals, coal, and metals, as well as expanding and upgrading existing operations.

In Singapore, meanwhile, Shell has offered a compromise on its offer to buy out the island state's half share in a S$2bn (US$1bn) petrochemical complex.

The Government had been happy to sell this stake to Shell but Japanese minority partners in the complex expressed concern that their interests could be adversely affected.

This led to reports that Singapore might after all retain its involvement but Mr Dick van Elten, who heads Shell's operations there, has now said that his company would still be interested in buying part of the holding.

"I don't think we will feel uncomfortable" with a stake of less than 50 per cent, he said. Shell is due to meet Sumitomo Chemical, which leads the Japanese consortium, in Tokyo next month.

Partners to buy BHP stake in smelter

PARTNERS of Broken Hill Proprietary (BHP) in Western Australia's Worsley alumina smelter appear to have pre-empted its plan to sell its 20 per cent stake to Norway's Norsk Hydro, Reuter reports from Melbourne.

BHP announced the sale last year, subject to the approval of its joint venture partners. Worsley officials have now said, however, that the partners have decided to exercise a right to buy the stake on a pro rata basis.

The sale would lift the stake of the US-based Reynolds Metals to 50 per cent from 40 per cent while the holding of Royal Dutch/Shell would rise to 37.5 per cent from 30 per cent and that of Japan's Kobe Steel to 12.5 per cent from 10 per cent.

● Boulder Gold, a small Australian exploration company, said a preliminary study of a US ferrochrome prospect in Montana shows it might be worth mining, AP-DJ adds.

A feasibility study of the Stillwater project together with the US Bureau of Mines confirmed the feasibility of establishing a 120,000-tonne to 140,000-tonne a year operation which, Boulder said, had a net present value of $320m.

Job cuts follow sales decline at Porsche

BY ANDREW FISHER IN FRANKFURT

PORSCHE, THE troubled West German sports car company, plans to cut its labour force by about 1,000 in its latest attempt to combat the effects of a sales collapse following last October's US stock market crash.

The US took 60 per cent of sales in the year ended July 1987. Porsche suffered an immediate setback after the crash as customers held back from new purchases in the tougher investment climate.

Porsche's initial response was to pnt production workers on short time from the start of this year. It also announced in January that output would be cut, from just over 50,000 cars in 1986-87 to just over 30,000 in 1987-88.

The plan was to reduce stocks, which then totalled about 15,000 cars, including 8,000 in the US.

Since then, US stocks have fallen to 5,500 – with sales totalling 1,870 in March, down by 22 per cent on the previous year. In Germany, stocks have fallen to about 1,160 cars, compared with 1,600 a year ago.

Mr Heinz Branitzki, the new chairman who was previously finance director, is following a more cautious sales, production and cost policy than his extrovert predecessor, Mr Peter Schutz, who took Porsche more heavily into the US market.

The labour cuts, to be implemented over the next 15 months, will mainly involve workers in the administration, sales and development areas. They will be achieved through natural wastage, increased early retirement and cash payments for voluntary redundancy.

Production workers, with 47 days of short-time working this year until August, will not be affected.

After a sharp drop in profits last year and a cut in dividend, Mr Branitzki has insisted that Porsche will not incur a loss in 1987-88. At the annual meeting, he said the results would be "acceptable."

Porsche's well-publicised difficulties have given rise to a spate of rumours, all denied, that the company might be taken over by a West German or foreign car company.

MBB and CFP to link solar energy activities

By Paul Betts in Paris

CFP, THE French Total oil group, and MBB, the West German aerospace concern, are to merge their respective solar energy activities.

The link-up of the two groups' photovoltaics businesses will create one of the largest European groups specialising in the production of solar-generated electricity using amorphous silicon technology.

To be based in Munich, the joint venture will bring into operation by the beginning of 1991 a large photovoltaic pilot prodnction plant with 1MW capacity.

The project already has the support of the Europaan Eureka prgramme and French and West German national agencies. The overall investment for the pilot project will amount to about FFr350m ($62.2m) over five years.

The groups plan to launch later a big programme to produce and market low-cost photovoltaic products.

Johnson buys Carnegie assets for $600m

BY SARA WEBB IN STOCKHOLM

CARNEGIE, THE Swedish brokerage, real estate, retail and wholesale group controlled by Mr Erik Penser, the financier, has agreed to sell its retail and wholesale businesses to Axel Johnson, the trading gronp owned by Mrs Antonia Johnson, for SKr3.5bn ($600.3m).

Axel Johnson said it wanted to strengthen its position on the Swedish trading side as most of its activities were internationally-oriented.

The deal means that Carnegie's activities will now be concentrated on the brokerage and real estate side.

Axel Johnson has an annual turnover of about SKr10bn, with international trading operations in stainless steel and marine products, as well as oil trading, ore and metals trading, chemicals production, and operations supplying components to the Swedish electronics industry.

It is buying from Carnegie the Ahlens department store chain, B and W hypermarkets, Hemkoep supermarkets, Dagab wholesale operations, Saba Trading (fruit and vegetable importers), and the Carnegie Data and CRS Datakraft data processing companies.

The companies have annual sales of about SKr21.5bn, profits (after financial items) of about SKr400m, and 20,000 employees.

Mr Ralph Hammar, finance director at Axel Johnson, said the deal would help improve the group's profits (which are not disclosed) over the long term and that all the companies acquired were profitable last year.

The companies were formerly part of the Saba group, another Penser company which took over Carnegie, an investment company, and changed its name to D. Carnegie and Co.

The Carnegie acquisition was largely a result of Mr Penser's need to reduce his interest costs. Last year, Carnegie reported profits, after financial items, of SKr483m, gained on sales of SKr20.66bn.

An attempt earlier this year to sell off the retail and wholesale businesses to Ratos, a Swedish investment company, fell through.

Mr Goeran Ennerfelt, chief executive at Axel Johnson, said that following the acquisition the Saba companies would he groomed for a stock market flotation, possibly within two to three years.

The Saba companies constitute what is called the "third bloc" in Swedish retailing and wholesaling, with a 21 per cent market share.

ICA, the leading supermarket chain, has 38 per cent of the market, while KF, the co-operative chain, has 23 per cent.

Sulzer forecasts further pick-up in profits

BY JOHN WICKS IN ZURICH

SULZER BROTHERS, the Swiss engineering group which recently fought off the unwelcome attentions of a group of dissident shareholders, said yesterday that a further improvement in earnings could be expected this year.

Mr Pierre Borgeaud, the chief executive, said first-quarter order intake had grown by 14 per cent to SFr1.4bn ($1bn). He added that profits would also gain from better capacity usage, group restructuring and widening trading margins.

Group profits last year rose by 15 per cent to SFr77m and Sulzer stepped up its dividend by 10 per cent. Mr Borgeaud stressed, however, that the group's performance last year had remained unsatisfactory.

The company said it planned to expand production programmes by "innovation or, especially, acquisitions in growth areas." At the same time, Sulzer would be spending "considerable sums" on the reorganisation of its loom manufacturing and engineering relocation.

The company plans a bond issue to raise at least SFr100m.

In connection with the recent acquisition of a 20 per cent stake in Sulzer by Omni, the holding company headed by Mr Werner Rey, the Swiss financier, Mr Armin Baltensweiler, Sulzer's chairman, said the Sulzer board was convinced that Mr Rey's interest in Sulzer was positive and long term.

As for Mr Tito Tettamanti, the Lugano lawyer who led the group of dissident shareholders, Sulzer said it hoped discussions in the coming weeks would lead to a further clarification of the situation on both sides.

The Omni group's 20 per cent shareholding in Sulzer was acquired from the Tettamanti consortium, which retains a stake of about 10 per cent in Sulzer.

Oerlikon slips deeper into red

By Our Zurich Correspondent

OERLIKON-BUEHRLE, the Swiss industrial group, slid deeper into the red last year, turning in a net loss of SFr115.2m ($84.1m) following a 12 per cent decline in turnover to SFr4.11bn. The group will again pass its dividend.

Oerlikon-Buehrle said that more than half of the fall in 1987 sales was due to disposals.

Significantly lower turnover was reported by its military products division.

Bonn to sell remaining Viag stake next month

BY HAIG SIMONIAN IN FRANKFURT

THE WEST GERMAN Government is planning to sell its remaining 60 per cent stake in Viag, the energy, aluminium and chemicals group, next month, according to Mr Werner Lamby, a member of its managing board.

The sale, which should raise more than DM1bn ($606m), will be led by Deutsche Bank and involve about 45 banks, of which between 10 and 12 will be foreign. Mr Lamby gave no indication of the likely issue price.

Viag shares closed at DM213.80 in Frankfurt yesterday, compared with the DM165 at which the Government sold an initial 40 per cent in June 1986.

The company is raising its 1987 dividend to DM6.50 a share from DM6, following a DM1 increase the previous year.

Mr Lamby said the outlook for the current year remained unclear, but there was "no reason to believe that 1988 will be worse than 1987, rather the opposite."

Viag's group net profits rose 16 per cent to DM191m last year, against an adjusted result of DM164m for 1986. This was achieved in spite of a fall of almost 3 per cent in group sales, to DM8.4bn.

Aluminium accounted for more than half its sales, against about a third for energy and 14 per cent for chemicals.

According to Mr Rudolf Escherich, another member of Viag's managing board, the "positive development" in energy is likely to continue in 1988.

In spite of reduced earnings in aluminium in 1987, the profit improvement seen late in the year had continued into the early part of this year, leading to a confident outlook for 1988 as a whole, he added.

The company began a series of European roadshows in Frankfurt yesterday, and hopes the foreign members in its issuing consortium will place about 15 per cent of its new shares abroad. There are no immediate plans to raise new capital, nor does the company intend to list its shares outside Germany at present.

Carrefour's net income climbs to FFr761m

By George Graham in Paris

CARREFOUR, THE leading French retailer, raised group net profits last year by 16 per cent to FFr761m ($135.4m), excluding minorities, after a 9.8 per cent increase in sales to FFr56.5bn.

In its main domestic market, where its chain of 70 hypermarkets covers most of the country, Carrefour increased sales by 9 per cent to FFr42.7bn. Current profits climbed 16 per cent to FFr343m.

The group's investments in France have declined – it opened only one new store last year – but it expanded several of its existing stores, concentrating on the non-food ranges.

Sales grew strongly in the electrical goods and fresh products sectors, although the surge in health and diet foods was probably achieved partly at the expense of traditional grocery sales.

In Spain, Carrefour's principal foreign market, sales rose 22 per cent in deflated peseta terms to FFr7.65bn, with profits up 30 per cent to FFr267m.

Brazilian sales climbed 12 per cent in local currency terms to FFr4.39bn, with profits up 3 per cent to FFr128m.

In Argentina, where the group has just begun construction of a fourth store, sales rose 43 per cent in adjusted terms to FFr543m. Profits amounted to FFr15m.

Total group debt was FFr2.7bn at the end of 1987, of which FFr1.1bn was accounted for by the Pass consumer credit subsidiary.

Berne cantonal banks in merger plan

By Our Zurich Correspondent

BERNE'S TWO cantonal banks are planning to merge, in a deal which would create the sixth biggest bank in Switzerland.

The Cantonal Bank of Berne and Hypothekarkasse des Kantons Bern would form the Bernese Cantonal Bank under a proposal which the local government will present to the canton's parliament next month.

Although the two banks, formed in 1834 and 1846 respectively, have the backing of the cantonal government, they have hitherto been competitors.

Like all such banks, they operate only within their canton, where together they account for a total of 78 branches.

The Cantonal Bank of Berne, already Switzerland's seventh biggest bank, had balance sheet assets of more than SFr11.21bn ($8.2bn) at the end of last year. Apart from the canton's own capital stock of a nominal SFr212.5m, participation certificates are outstanding with a nominal value of SFr62.5m.

The Hypothekarkasse, most of whose balance sheet is accounted for by savings and mortgage loans, has total published assets of SFr6.2bn.

The cantonal government sees the merger as enabling the banks to adjust to alterations in the market, as well as furthering synergy and reducing overall costs.

Firmer European demand helps lift Solvay earnings

BY WILLIAM DAWKINS IN BRUSSELS

SOLVAY, BELGIUM'S largest chemicals company, yesterday unveiled a 22.5 per cent increase in 1987 net profits and announced that investors are to get a one-for-20 share bonus to celebrate the company's 125th anniversary.

Baron Daniel Janssen, group chairman, attributed the profits upturn to a broad strengthening in demand in Europe and the US. Sales rose by 3.4 per cent from BFr216.31bn ($6.25bn) to BFr223.6bn, while net earnings advanced from BFr9.9bn to BFr12.2bn.

There was a strong performance from all the group's divisions – alkalis, plastics, peroxygen chemicals, processing and human and animal health. Plastics, in particular, benefited from strong demand for polyvinyl chloride in Europe and high density polyethylene in the US.

Volumes overall rose faster than turnover.

At group level, net earnings before slightly reduced extraordinary charges rose from BFr1,614 per share to BFr1,807. The board is proposing to increase the net dividend by 10.4 per cent to BFr370 per share.

Group cash flow rose from BFr22.9bn to BFr26.6bn, enabling the company to pay off net debt for the first time since 1969.

Solvay spent BFr9.2bn on research and development last year, 7 per cent more than in 1986.

Enthusiastic response to sterling deal by Austria

BY ALEXANDER NICOLL AND STEPHEN FIDLER

NEW ISSUES came thick and fast in the Eurobond market yesterday. There were four in sterling and five in Australian dollars, as well as a variety in other sectors – but none in US dollars.

The US market is still reeling from the effects of poor US trade figures and the dollar slide which followed them. Though dealers believe there is a shortage of high-quality short-dated dollar paper – which found ready buyers of last week's large European Community issue – the market was still too fragile yesterday for any borrower or lead manager to brave it.

The desire for sovereign paper was also evident in the enthusiastic and rapid response to a £100m issue for Austria, led by S.G.Warburg Securities. This met good buying, even though concern is beginning to surface that sterling's recent surge may soon have run its course. The pound and gilts were steady yesterday, though the latter eased late in the day.

The five-year, 9 per cent issue was priced at 101¼ to yield 28 basis points over comparable gilt-edged stocks at launch, net of fees. By the end of the day, it was bid 1.65 points below issue price, within the 1⅞ total commissions.

A £100m five-year issue for Eksportfinans of Norway, while brought by Barclays de Zoete Wedd on fundamentally sound terms and likely to be well placed in time, suffered initially – perhaps through comparison with the Austrian deal. It was also priced at 101⅛, but with a coupon of 9⅛, giving a 39 basis point spread over gilts.

For a borrower rated Triple A by only one of the US credit rating agencies, the knee-jerk reaction was that terms were a bit tight. The deal was bid 1.90 points below issue price, outside its 1⅞ fees.

Hambros Bank led a £40m club deal for International Finance Corporation, the World Bank affiliate. The five-year issue, priced at 101⅞ with a 9⅛ per cent coupon to yield 33 basis points above gilts, will not trade widely.

Also launched in sterling was one tranche of a convertible deal for Compagnie du Midi, the French insurance group. Swiss Bank Corporation Investment banking is leading the £250m and Ecu300m issues, on which the conversion price has already been set but the pricing remains open.

It will be fixed by the end of the week and could be set above par since the current share price

INTERNATIONAL BONDS

of just over FFr1,600 is above the conversion price of FFr1,510. After two years, the conversion price rises to FFr1,800.

Cie. du Midi has been the object of takeover speculation. SBCI has located a small group of investors to buy the bonds and is not syndicating it widely. The sterling tranche has a 3 per cent coupon and the Ecu tranche 2½ per cent. There is no grey market price.

The A$350m flurry of issues in Australian dollars came despite worries that the sector might be getting saturated and about the currency's continued strength, with new Australian current account figures due out overnight. Nevertheless, there appeared to be no serious problems in handling the new issues in what is still a retail-oriented sector.

The deals included a rare two-year deal brought for Xerox Credit Corporation by Chase Manhattan. The A$75m issue was priced at 101½ with a 12½ per cent coupon and traded on its fees.

Also in the sector were: a A$75m five-year 12⅛ per cent deal brought by Algemene Bank Nederland for an Australian subsidiary, priced at 101¾; a A$75m 12¼ per cent five-year issue for Oesterreichische Kontrollbank, led by Deutsche Bank Capital Markets, priced at 102¼; a A$75m five-year 12¼ per cent issue by a subsidiary of Bayerische Landesbank, priced by SBCI at 101⅞; and a A$50m three-year 12¼ per cent issue by a subsidiary of Westdeutsche Landesbank, priced by the parent bank at 101½.

Two issues came to market in Canadian dollars. The larger, of C$75m, was for National Australia Bank and brought by Union Bank of Switzerland (Securities). Carrying a short, three-year maturity, it has a 10 per cent coupon and an issue price of 101¾, pricing it at 58 basis points over the equivalent maturity Canadian Treasury bond.

The other was for C$50m, for Banque Générale du Luxembourg, lead-managed by Bankers Trust International. It has a five-year maturity, a 10 per cent coupon, and an issue price of 101⅞.

Banco di Roma (London branch) issued an Ecu100m five-year bond which was brought to market by Crédit Commercial de France. It carried a 7½ per cent coupon and a 101⅝ issue price.

In New Zealand dollars, Crédit Lyonnais Canada, borrowing with the guarantee of the French parent bank, issued a NZ$60m issue, also maturing in five years, through Hambros Bank. The coupon on this was 13⅝ per cent and the issue price 101¾.

In D-Marks, the only new issue was a DM30m bond brought by Westfalenbank for itself. It carried a five-year maturity, a 5 per cent coupon, and a 99.75 issue price.

West German bond prices eased in line with the US market, falling by up to 15 pfennigs in a domestic market weighed down by this week's issue of DM2bn in 10-year bonds for the Federal Post Office. Euro D-Mark issues were 10 to 30 pfennigs lower in slow trading.

By contrast, the Swiss market had a fairly positive tone but prices, where changed, were up by up to ¼ point.

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YEN STRAIGHTS

OTHER STRAIGHTS

FLOATING RATE NOTES — Spread, Bid, Offer, C.dte, C.cpn

DEUTSCHE MARK STRAIGHTS

SWISS FRANC STRAIGHTS

CONVERTIBLE BONDS — Cnv. date, Cnv. price, Bid, Offer, Chg. day, Prem

[illegible]

* No information available—previous day's price

† Only one market maker supplied a price

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Italian move by Sasea and Bâloise

By William Dullforce in Geneva

SASEA, THE Geneva-based financial services group, and Bâloise, the fourth largest Swiss insurance company, are merging their interests in two Italian insurance companies, and injecting fresh capital into them, in what appears to be a bid to seize a substantial share of the Italian market.

Bâloise and Chamotte Unie, Sasea's subsidiary in the Netherlands, have signed an agreement under which they will jointly recapitalise Norditalia Assicurazioni of Milan and regroup it with Genoa-based Levante Assicurazioni.

The two will increase Norditalia's share capital by L190bn ($155m) after writing off most of the old capital. Currently the Sasea group holds 26 per cent of Norditalia's ordinary shares and controls 51 per cent of the voting rights.

It plans to cede part of its holding to Bâloise and to arrange a rights issue that would leave the Swiss insurer with 51 per cent of the shares. Bâloise already holds 75 per cent of the Levante stock, which it acquired from Chamotte last year.

The two Italian insurance companies had a total premium income of L300bn last year. Combining their operations under the management of Bâloise would be "the first step" towards the formation of the fifth largest Italian insurance group, Chamotte said yesterday.

Further moves can be expected. Bâloise is understood to control, partly through Deutscher Ring, its West German affiliate, some 35 per cent of Tirrena, a Rome-based insurance company with premium income of L780bn last year. The Sasea group owns 10 per cent of Tirrena. Most of the rest is in two family holdings.

Italy, one of the most underinsured countries in Europe, has immense growth potential for a dynamic insurance group, according to Mr Bob Hankes-Drielsma, a Sasea director. Italians paid $175 per capita in insurance premiums in 1986 compared with $1,300 for the Swiss.

Home Shopping sues Drexel

By James Buchan in New York

MR MICHAEL MILKEN, the powerful junk bond financier at the heart of the US Government's insider trading investigation, has been accused of manipulating the stock of Home Shopping Network, the troubled company that pioneered large-scale selling of discount goods on cable television.

The suit accuses Mr Milken and his firm, Drexel Burnham Lambert, of driving down Home Shopping's stock in the past six weeks to push up the value of an issue of $100m in Eurobonds which is convertible into Home Shopping stock.

The highly complex suit, which was filed in a Florida court, underlines the grim plight of Home Shopping, whose stock collapsed last year when profits from the ballyhooed TV shopping market failed to appear. Home Shopping, which once traded at $47 last year, faces massive dilution for its current shareholders if the Drexel Burnham bonds are converted at recent prices of little more than $5.

The suit demands damages against Mr Milken and Drexel Burnham for securities fraud, breach of fiduciary duty and racketeering. Drexel Burnham said it would review the matter with its counsel but added: "It sounds as if Home Shopping Network is unhappy with the market performance of its security over which we have no control."

According to the suit, Mr Milken and Drexel arranged an issue in 1987 of $100m 5½ per cent Eurobonds convertible from April 22 this year into Home Shopping stock at price of $25.80. But a provision of the issue allows the bondholders to set a new conversion price - the average of Home Shopping's stock price for the 30 trading days before the conversion date plus a premium of 20 per cent.

Earnings up at L'Air Liquide

By Paul Betts in Paris

L'AIR LIQUIDE, the leading French industrial gases group, reported yesterday an 11.5 per cent rise in net profits excluding minority interests to FFr1.38bn ($245m) last year compared with FFr1.25bn the previous year. Profits including minority interests rose by 13.8 per cent to FFr1.76bn.

Group sales rose by nearly 12 per cent to FFr23.46bn from FFr20.96bn the year before. Cash flow increased by 17.2 per cent to FFr3.7bn.

Alexander Nicoll on a Third World debt plan under fire

American Express sticks to its guns

WHEN MR JAMES Robinson, the chairman of American Express, unveiled his plan for dealing with the Third World debt crisis late in February, he was met not merely with resounding silence, but with outspoken opposition.

Many bankers naturally object to a scheme by which they would systematically accept losses on their loans. They would prefer to continue with the existing "muddle through" strategy which, they argue, has been bolstered by Brazil's recent return to paying interest after a 10-month halt.

Mr James Baker, the US Treasury Secretary who gave his name to the Baker Plan which provides the outline for this strategy, went out of his way to criticise the Robinson scheme on the grounds that it involved the US taxpayer – as well as those of other industrialised nations – in large and unquantifiable costs.

Mr Robinson is still determinedly carrying the flag. "The Administration and the banks say we've turned the tide, and it would be foolish to tinker with the delicate balance. I say: I pray you're right, there's some merit on your arguments. But what happens if you're wrong? What's your fallback position? It is time to start developing a comprehensive framework."

The latter phrase is chosen carefully to avoid suggesting that his plan, in and of itself, provides an at-a-stroke solution of the 5½-year-old debt crisis.

Yesterday Mr Robinson was in London to advocate the plan, which has become code-named I2D2 because its chief element is an organisation to be called the Institute of International Debt and Development.

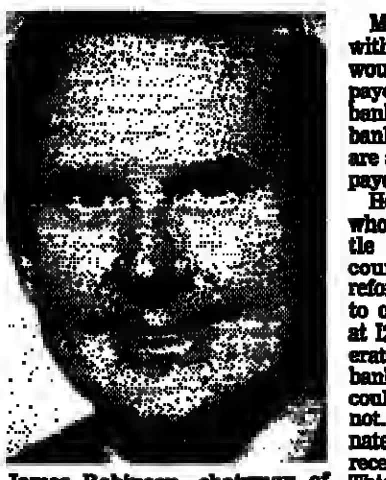
I2D2 would buy up individual countries' debt to banks at a discount to face value, in exchange for perpetual bonds and preferred stock. It would enable debtor countries to benefit through debt relief from that discount, provided they agree to accelerate structural reforms of their economies. It would also be designed to speed new financing flows.

Why is the busy chairman of a big financial and travel services group expending so much time and energy trumpeting the scheme?

The company's own banking subsidiary has sold off or swapped at least 37 per cent of its Third World exposure and written off all Latin American private sector loans. So the debt crisis has a diminishing connection to his own role.

Moreover the plan appears to have little chance of being adopted in the near future, given general opposition to wholesale "solutions" to the debt crisis – especially in the US Administration which is, any case, preoccupied with the presidential election and does not want to be bothered with anything which might upset the political balance.

Mr Robinson says he was taught at Harvard Business School that two things had to be done to develop a business: expand its "primary market" and



James Robinson, chairman of American Express

promote its brand name.

For American Express, he says, the world economy is the primary market. The debt problem limits growth and trade, and therefore his company's market. Mr Robinson has been involved in trade policy since the late 1970s. He has been among the advocates of a Japanese Marshall Plan, and already sees welcome signs of a heightened Japanese role in financing and aid flows to developing countries.

"George Marshall was right then and now. Without economic prosperity, there can be no lasting peace." The plan, he believes would be a step towards prosperity in developing countries and consequently the world.

Mr Robinson has little patience with the suggestion that his plan would impose new costs on taxpayers. The many problems of US banks – such as those of Texas banks and savings institutions – are already a problem for the taxpayer, he says.

He also argues against critics who say the plan would give little incentive to participating countries to enact economic reform. Countries would be able to obtain substantial debt relief at I2D2's discretion if they accelerated reforms, and – once their bank debt was owned by I2D2 – could suffer penalties if they did not. I2D2 debt would be subordinated to new loans which debtors received, encouraging new flows. This subordination could however be removed by I2D2, discouraging new loans.

Mr Robinson is not too worried by the many criticisms of the technicalities of the plan. It was necessary to go into the proposed specifics just to show how a comprehensive plan would work. But he does detect a sense, in Congress and elsewhere, of the need to "look beyond business as usual."

There have been attempts, for example, to insert into the omnibus US trade bill a clause calling for a study of comprehensive solutions to the debt crisis. They may not pass. But if such attempts and his plan lead to governments of developed countries becoming more involved in the debt crisis, "that's the first prize."

Nixdorf net profits up by 19%

BY ANDREW FISHER IN FRANKFURT

NIXDORF, THE West German computer group, is looking forward to further growth this year after a positive first quarter. The current order backlog was equivalent to a full year's revenue, Mr Klaus Luft, the chairman, said yesterday.

The group announced that net profits rose by 19 per cent in 1987 to DM264m ($160m). At the same time, the group continued to invest heavily both in assets – capital spending was 12 per cent higher at DM725m – and jobs, with 3,900 people taken on in Germany and abroad. The dividend is being held at DM10 a share.

Nixdorf, which supplies computer systems and software to the retail, banking, insurance, and industrial sectors, has already announced a 13 per cent increase in sales to DM5.1bn. In its home market, the rise was 16 per cent to DM2.7bn. Outside Germany, the increase was 9 per cent, though this would have been 15 per cent at unchanged currency rates.

Mr Luft said in February that double-digit sales growth should again be achieved in 1988, while also noting that the business climate had become harsher.

Yesterday, he said Nixdorf intended to strengthen its presence in Europe, its main market, but also to build up business in the US and Asia. In dollar terms, it expected expansion of more than 20 per cent this year in the US, where it has just won an order worth over $10m from Marshall Field, the Chicago store group owned by BAT Industries of the UK.

This follows a much larger $100m contract won in 1986 to install computers in Montgomery Ward stores. Mr Luft said Nixdorf was not going after market share in the US, but trying to build up a strong position in key sectors. The retail orders were examples of this.

Within Europe, Nixdorf is concentrating its foreign efforts in France, Spain, the UK and Italy.

From a much smaller base, it expects to grow faster in Asia, where orders in hand are 40 per cent higher than last year. Mr Luft singled out the Philippines, Thailand, Singapore and China as promising markets.

Dutch may form watchdog

THE DUTCH Government and the country's three securities exchanges are in talks over the formation of an independent regulatory body to oversee securities trading in The Netherlands, AP-DJ reports from Amsterdam.

The new agency could be in place by October or November, according to Mr Tjerk Westerterp, managing director of the Amsterdam-based European Options Exchange (EOE). The EOE, the Amsterdam Stock Exchange and the Amsterdam Financial Futures Market have already agreed to the plan.

The Dutch Finance Ministry said it was "premature" to comment on the contemplated oversight panel because the government and the exchanges are still negotiating.

UK COMPANY NEWS

CITY ESTIMATES EXCEEDED FOLLOWING STRONG GROWTH IN CORE DIVISIONS

Taylor Woodrow up 27% to £73m

BY VANESSA HOULDER

Taylor Woodrow, international construction, property and homes group, yesterday announced a 27 per cent increase in 1987 pre-tax profits to £73.1m. The results exceeded analysts' expectations and the share price rose 20p to 445p.

Strong growth in all three core businesses helped turnover advance by 14 per cent from £793m to £902m. There was, however, a drop in overseas contracting volume and a reduction in turnover of £20m due to the increased strength of sterling. Overseas turnover increased by 4 per cent during the year against a rise of 18 per cent in the UK.

Sir Frank Gibb, chairman and chief executive, said that UK growth was particularly strong in the latter part of 1987 so that the group moved into 1988 with a much increased momentum. Continued growth was expected in 1988 in all of the major businesses.

Contracting profits increased by 30 per cent to £20m. The flow of new UK orders increased in the latter part of 1987, although profits from overseas contracting showed slower growth and accounted for just 7 per cent of profits.

Major progress was made with loss making subsidiaries such as Seaforth Maritime, Octavius Atkinson, Swiftplan, Taylor Woodrow Construction (Northern) and Terresearch, which are now either making profits or shortly about to do so, said Sir Frank.

Property profits increased by 31 per cent to £27.1m as a result of increased rents and trading. The Hounslow shopping centre, Commodity Quay and Westgate were now all let and these rents will significantly increase rental income in 1988. The group's investment properties have been revalued at £521m, an increase of £112m. After deduction of minority interests, a surplus of £85.8m has been credited to revaluation reserves.

Profits from housing increased by 29 per cent to £20.9m, following buoyant growth in markets in southern England, southern California and eastern Canada.

The company said it would save £5-6m in interest charges in 1988 by capitalising interest on investment properties. The changes in capital gains tax made in the budget meant it could write off a potential liability of £16m on properties bought before 1982.

A £5.9m extraordinary loss net of tax was incurred as a result of restructuring the fleet of Seaforth Maritime and stopping coal production in the US. Seaforth, a 45 per cent owned associate, wrote down its North Sea service vessel fleet, involving an extraordinary charge for Taylor Woodrow of £2.9m. The closure of the two US mines and discontinuation of coal production in the US resulted in a £3m provision.

Earnings per share increased by 12.5 per cent to 30.5p, after an increase in the tax charge from 26.9 per cent to 33.5 per cent.

A final dividend of 8p is proposed, making a total for the year of 10.5p (9.5p).

See Lex

Sir Frank Gibb: much increased momentum.

GEC in £22m deal with Rank to boost its night vision

By Terry Dodsworth

THE General Electric Company moved back into the acquisition spotlight yesterday with a £22m deal aimed at strengthening its position in the military night vision equipment industry.

In an agreed cash deal with Rank Organisation, it is taking over Rank Pullin Controls based at Debden, Essex, and the related thermal imaging activities of Rank Taylor Hobson at Leicester. These businesses will become part of GEC Sensors, based at Basildon and a subsidiary of the group's Marconi military electronics company, a major customer of the Rank companies.

Last year, GEC launched a flurry of small to medium-sized takeovers after indicating that it was moving to spend some of its notorious cash mountain on a new expansion drive.

This move culminated in the recent joint venture deal bringing together GEC's telecommunications activities with Plessey's. But it also received a severe setback earlier this year when a similar proposed merger of its medical equipment division with similar activities at Philips, the Netherlands-based electronics group, fell apart.

Yesterday's agreement will increase the size of GEC Sensors to approaching the £100m turnover level. The company had sales of £84.5m last year, on which it made pre-tax profits of £8m, while the Rank businesses generated turnover of £14.2m in the year to October 1987, with pre-tax profits of £2m.

In the current year, the Rank activities are expected to suffer a sharp setback in their performance, with turnover falling to £12.3m, and profits to £1m. But GEC Sensors, said that the hiccup is mainly attributable to a bunching of defence orders, and that the business is due to resume growth next year.

Thermal imaging equipment, which allows users to see in the dark, is one of the defence industry's growth areas. The technology is widely used by all three military services, and requires a combination of optical products and electronics.

Many of GEC's current systems are based upon optical equipment bought in from the Rank companies and linked to its own electronic devices. Most of these are sold to the UK armed forces, although about 15 per cent of the group's turnover is overseas.

Rank said yesterday that the transaction would release resources for investment elsewhere in the group. This would enable the company to concentrate on the further development and marketing of its industrial metrology products, it added, a field in which it claims to be the world leader.

Adverse currency influences restrict Laura Ashley to £23m

BY ALICE RAWSTHORN

Laura Ashley, which now sells its quintessentially English style of floral frocks and fabrics in shops around the world, yesterday announced that pre-tax profits growth in the last financial year had been held back to 3 per cent at £23m, chiefly because of adverse exchange rates.

Mr John James, chief executive, said that despite "encouraging" sales growth from every area of the business, profits had suffered from the impact of the declining US dollar on its North American earnings.

He estimated that this had cost the group £3.5m in lost profits. Problems in bringing the new Texplan production plant on stream and development costs for its new Mother and Child shops in the US had cost a further £1m.

Sales rose to £201.5m (£170.9m) in the year to January 30 and operating profits to £23.8m (£21.4m). The group received royalty income of £1.7m (£1.6m). It paid £2.3m (£606,000) in interest on increased borrowings – reflecting the cost of expansion – and £8.5m (£8m) in tax.

Earnings per share rose slightly to 7.8p (7.24p). The board proposes to pay an unchanged final dividend of 1.5p making a total of 2.35p (2.25p) for the year.

The decline of the dollar had a serious impact on the contribution from North America, traditionally the group's most profitable area. Although sales grew by 28 per cent in local currencies – and by 9 per cent for established stores – the growth in sterling was just 12 per cent to £75m.

New shops were the catalyst for the 22 per cent sales increase to £95m in the UK, although established stores were 5 per cent ahead. In Continental Europe, sales rose by 9 per cent to £25m, with like for like growth of 3 per cent. The Japanese and Australian shops moved into profit.

The Mother and Child concept in the US is meeting sales targets. Laura Ashley plans to expand the chain in the US and to open three shops in Continental Europe this year.

● **comment**

Laura Ashley's problems, like those of almost every other company with US exposure, had been so long anticipated that these static profits came as no surprise to the City. Given that there is little hope of a rise in the dollar and that interest will increase again, Laura Ashley should muster little more than modest growth in profits to £26m this year. To the stock market the advantage of the group's "international" scope outweighs the disadvantage of its being burdened with its own production plants. Thus the shares are fairly valued – probably for the first time since flotation – on a prospective p/e of 13.5. Laura Ashley now has little option but to bide its time until the dollar recovers: with most of the shares still in family hands it can enjoy the luxury of doing so.

Enlarged Yule Catto 30% ahead at £14m

BY CLAY HARRIS

Yule Catto, speciality chemicals, building products and plantation group, increased pre-tax profits by 30 per cent to £14.05m in 1987.

The advance from £10.77m fell short of the 33 per cent rise in turnover to £150.1m (£112.8m).

Chemical profits rose to £9.79m (£8.14m) on sales which passed £100m for the first time. The division's results included six months' contribution from Reabrook Holdings, taken over in June in a deal worth £20m.

Reabrook was by far the largest of five acquisitions in 1987. Together they accounted for profits of about £500,000. However, the write-off of £17.4m of goodwill, out of total acquisition costs of £22m, resulted in a fall in assets per share to 49p (64p), the lowest since 1982.

Of other divisions, building products contributed £3.29m (£2.55m) and plantations £741,000 (£739,000). The advance at the latter was restrained by a £1m provision for the cost of roads and drainage for the first phases of a housing development on surplus plantation land in Malaysia.

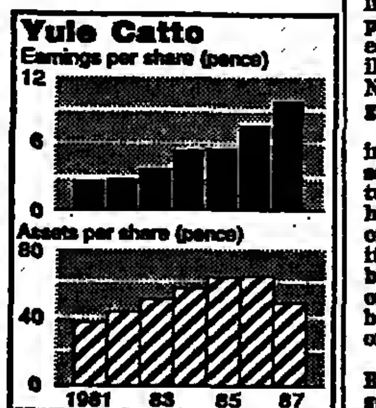
This was balanced by a £1m profit on the disposal of shares in two chemicals companies, Barrow Hepburn – for which Yule unsuccessfully bid – and W Canning. As a result, Yule showed a £226,000 surplus (£662,000 deficit) on central and finance activities despite higher interest costs.

Currency fluctuations reduced pre-tax profits by about £400,000. The tax charge of £5.37m (£3.7m) reflected a rate nearly 4 points higher at 38.2 per cent. Minorities fell to £250,000 (£850,000).

Earnings per share, adjusted for a mid-year scrip issue, advanced by 32 per cent to 10.2p (7.7p). A proposed final dividend of 1.75p raises the total by over 40 per cent to 3p (2.125p).

● **comment**

Yule's fears over financial repercussions of the Kings Cross disaster have been allayed by the provisional judgment's exoneration of the fire-retardant paint supplied by its Frederite subsidiary. The company, nevertheless, had to shoulder the expense and trouble of representation at the inquiry. The fall in assets, meanwhile, should be seen in a positive light: the return on capital employed has risen from 17 per cent to 25 per cent. With Guthrie losing its controlling Malaysian shareholder and its independence last week, questions must arise over Kuala Lumpur Kepong's 26 per cent holding in Yule. This 14-year investment has been friendly and without incident by comparison with the Guthrie saga, but the possibility of a future tidying-up operation which takes Yule out of plantations cannot be excluded. On a conservative forecast of £17.5m pre-tax, and a tax rate falling towards 35 per cent, the shares stand on a prospective p/e of 9.4 and dividend yield of 4.3 per cent (based on the 1987 level of cover). However, Yule is likely to continue to raise pay-outs by more than the rate of eps growth. After the dramatic re-rating of the past two years, the shares should at least hold onto their gains.



Final payment hurry for Sid

By Steven Butler

A last minute rush by British Gas shareholders to make final payments on their shares by yesterday's 3pm deadline has buoyed hopes that nearly all shareholders will have met the deadline.

Shareholders who failed to make the deadline stood to forfeit their shares, save for their 95p investment. British Gas shares yesterday closed at 180p.

As of three days ago, about 75 per cent of British Gas's 2.9m shareholders had made their third instalment payment. The Department of Energy said this pattern followed that set during the second instalment last year, when 99.7 per cent of shareholders complied.

Concorde in reverse takeover

BY STEVEN BUTLER

Concorde Energy, the independent oil exploration and production company, is roughly quadrupling its size in a £138m reverse takeover of the Kelt Group announced yesterday along with a £30m issue of convertible preference shares.

Concorde also reported an increase in net losses in 1987 from a restated £1.96m to £2.18m. The losses occurred in the first half, however, and the company returned to profitability in the second half.

The acquisition will catapult Concorde, which is to be renamed Kelt Energy, into the slot of Britain's third or fourth largest independent oil company, with some 140m barrels of proven oil reserves. Concorde is advised by Samuel Montagu, the merchant bank.

Concorde is 50.07 per cent owned by Mr Hubert Perrodo, who is also the owner of Kelt. The acquisition is to be affected by the issue of 215.8m ordinary shares to Mr Perrodo, worth £138m at the suspension price of Concorde shares at 64p.

Some 34.7m of these shares will in turn be offered to shareholders in a rights issue at 52p, along with £17.4m of preference shares. Two of the new ordinary shares are to be combined in an offer unit with one preference share, priced per unit at 204p and offered to shareholders, excluding Mr Perrodo, on a nine for 20 basis.

In addition £12.6m of convertible preference shares are to be issued by means of a cash placement.

Mr Perrodo will emerge from the transaction with nearly 75 per cent of the enlarged company. If all of the preference shares are converted, his stake would drop to 63.5 per cent. Mr Perrodo said that he could foresee his stake in the company dropping closer to the 50 per cent level depending on possible future acquisitions and share issues.

Concorde was last year renamed from the company Petranol, and earlier this year acquired the oil and gas properties of Taylor Woodrow for £5m.

Mr Perrodo is to become chairman of the enlarged company.

Bodycote hails packaging as main success in '87

BY VANESSA HOULDER

Bodycote International, metal technology, packaging and textiles group, yesterday announced a 75 per cent increase in 1987 pre-tax profits from £4.6m to £8.06m. Turnover was up 31 per cent to £61.4m (£46.7m).

Mr Joe Dwek, chairman and joint managing director, said the record profits demonstrated the strength of the core businesses. The outstanding success, he said, was the new packaging division, which had exceeded expectations. 1988 had started well and he was confident that the momentum built up during the last five years would be maintained.

The company was looking for acquisitions, particularly in contract heat treatment and packaging, in the European Community to meet the challenges of the introduction of a single market early in the 1990s.

The metal technology group which accounts for 15 per cent of turnover increased profits by 27 per cent to £2.3m. The division, which specialises in heat treatment services, was contributing to virtually every major civil and military aerospace project in the UK, said Mr Dwek.

Profits from industrial and protective clothing, responsible for 44 per cent of turnover, advanced by 5 per cent to £2m. Four fifths were accounted for by the Dutch subsidiary EHCO-KLM Kleding.

In its first full year, the packaging division, comprised of Stockpack and Skelmersdale Packaging, produced profits of £2.9m on turnover of £7.7m. The textile division, which accounts for 24 per cent of group turnover, raised profits by 10 per cent to £1.3m.

Gearing at the year end was negligible, said Mr Dwek. Return on capital employed rose to 35.6 per cent from 27.5 per cent.

Earnings per share increased by 42 per cent to 21.7p. A final dividend of 3p per share is proposed, bringing the total dividend to 5p (4p) per share.

● **comment**

Good as they were, these results offered few suprises for Bodycote's select band of City followers and the share price fell 4p to 257p. That means, with profits of £10m forecast for 1988, the shares are on a prospective p/e of 9. And that, say the converted, scarcely does credit to the company's record of 25 per cent compound growth in earnings per share over the past five years. Looking ahead, the company should continue to squeeze good organic growth from its existing businesses - and in particular from contract packaging and heat treatment, which boast large market shares, efficient plant and strong cash flow. Furthermore, the company is eyeing up potential acquisitions and hopes to celebrate 1992 by unveiling a mirror image of the best parts of the business on the continental side of the EC. With its Dutch subsidiary and a small plant in West Germany, Bodycote already has a start. But Bodycote is a choosy buyer and the fact that it has already spent 18 months unsuccessfully looking for European acquisitions suggests that rapid expansion overseas may be a little harder than it sounds.

Eadie in £5m Scottish purchase

By Patrick Daniel

Eadie Holdings, a USM-listed Scottish wire products and light engineering group, is to acquire Ross & Bonnyman, a manufacturer of material handling products, in a deal valued at up to £5.5m.

Eadie also announced pre-tax profits for 1987 of £368,000 - down 47 per cent on a merger accounting basis from £697,000 the previous year - on lower turnover of £10.6m (£11.4m).

The group declared a final dividend of 0.75p making the same total of 1.5p as in the previous year. Earnings per share were down sharply at 1.76p from 7.82p.

The drop in profits was partly due to severe price competition in the volume wire business, especially from European rivals.

The group revealed that it is abandoning its traditional high-volume, low-margin products, such as those made by its Stainless Steel Wire subsidiary which it has agreed to sell to an undisclosed buyer.

Mr Roderic Mather, Eadie's chairman, described the Ross & Bonnyman acquisition as a part of the group's plan to move into higher value-added light engineering products.

The purchase of Ross & Bonnyman, based in Forfar, Scotland, is to be funded in part by a proposed four-for-seven rights issue at 41p a share, from which Eadie hopes to raise £2.2m net of expenses.

Eadie's share price closed at 58p yesterday, up 1p.

The balance of the initial consideration of £3.25m for Ross & Bonnyman is to be met from an issue of £500,000 in new ordinary shares to the vendors and £580,000 in cash from existing resources.

In the nine months to December 31, Ross & Bonnyman showed a profit of £630,000 before tax and directors' remuneration, on turnover of £4.2m.

Eadie's second-stage payment will depend on the Forfar company's full-year profits, warranted at no less than £650,000.

The acquisition, together with the £900,000 purchase of Fesca Engineering in December, will form the basis for a new transport equipment division, which the group feels has considerable growth potential in the UK and continental Europe.

Profits prediction lifts Geers Gross shares by 5p

BY DAVID WALLER

SHARES in Geers Gross gained 5p to 45p after Mr Robert Gross, founder and executive creative director of the advertising agency predicted a return to profitability and dividends in the current year.

His comments came as the company reported a pre-tax loss of £3.9m for 1987, compared to a loss of £1.45m in the previous year. Turnover fell from £109m to £99.5m, loss per share from 11.2p to 23.43p.

According to Mr Gross, about half of the 1987 loss was incurred by the US agency sold to Interpublic Group last November at a profit of £2.4m.

He added that for the first time in the agency's history, its UK operations lost money last year. This was due to what Mr Gross decribed as "lousy management" which meant that the agency had won little new business.

This year, the benefits of recent account gains – which include General Accident, Kraft and L'Oreal – should generate a solid trading profit. "We are strongly into profit already this year," Mr Gross said yesterday.

The cash position is strong following the disposal of the US subsidiary and the sale and lease-back of the company's headquarters in St Martin's Lane, central London. That transaction, announced yesterday, brought the agency an extraordinary gain of £1.18m.

Profits warning hits Spice share price

BY DAVID WALLER

SHARES IN Spice plunged yesterday by more than a fifth to 126p after the USM-quoted autoparts wholesaler and distributor issued a profits warning.

Spice said that the mild winter had depressed demand for its products. As a result, it expected to make pre-tax profits of no less than £200,000 for the six months to the end of March, compared to £537,000 in the same period last year.

The interim dividend will be maintained at 1.2p per share.

Mr Kevin Cubbage, managing director, explained that the mild weather had curtailed consumer demand for not only direct winter products such as antifreeze, but also accessories such as bumpers.

Wholesalers were still sitting on their winter stocks, with an effect on manufacturers and distributors alike. Spice has suffered reduced sales volumes and pressure on its margins.

Yesterday's warning comes three months after the company reported a 26 per cent rise in pre-tax profits to £1.26m for the year to September 30, on turnover up 11 per cent to £22.58m.

Acquisitions help Hartons to double profits to £5.1m

IN A YEAR in which it made many acquisitions Hartons Group has doubled 1987 pre-tax profits from £2.54m to £5.12m, as forecast at the beginning of March. Turnover moved ahead from £59.83m to £89.08m.

The group's is involved in plastics, PVC foam, spring assemblies and child safety and nursery products.

Mr Max Maimann, chairman, said VT plastics in the UK had benefited from the acquisitions made in the early part of the year and from the continued development of its product range.

Mr Maimann said that Axelgass in France had achieved a significant increase in sales and in its contribution to group results. The three acquisitions made during the year had strengthened its products range and national coverage to 12 branches. Further expansion is planned this year.

The chairman also praised Elson & Robbins where sales growth was achieved on both pvc foam products and spring assemblies. Costs from increasing capacity at its Castle Donington factory and a programme to improve efficiency held back profits but the benefits are expected to come through this year. H... (Partitions) also achieved rec..d results and won an industry award.

In the US, VT Plastics did not contribute to results but did improve its position, Mr Maimann said, as the benefits of its reorganisation and acquisition began to be felt towards the end of the year.

Loss-making K.L. Jeeney (formerly Sumner Products) is to be sold to its management for about £500,000. Its losses were £149,000 in 1987.

The final dividend is the promised 0.87p on capital enlarged by the recent rights issue, making a total of 1.45p (1.6p). Earnings per share in the period surged 53 per cent from 3.19p to 5.85p.

UK COMPANY NEWS

Currency movements limit Hammerson profit growth

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Hammerson, the third largest of the British property development and investment groups, increased its pre-tax profits by 10 per cent and earnings per share by 24 per cent in 1987.

The market, although seeing the figures as largely in line with expectations, was cool towards an 8 per cent increase of the net asset value to 650p a share. The 'A' shares closed at 575p for a day's fall of 13p.

Earnings were held back by currency fluctuations - 58 per cent of the group's rental income comes from the US, Canada, Australia and continental Europe. Rental income was 10 per cent lower than it would otherwise have been.

Shareholders receive a final dividend of 8.5p a share, which lifts the total by 1p to 11.5p.

Pretax profits for 1987 were £54.25m, compared with £49.34m, while earnings per share were 23.34p (18.78p).

Gross rental income at £124.79m, slightly lower than 1986, was affected not only by currency fluctuations but also by property disposals. Sales totalled £57.5m during the year. The gross profits from property trading were £5.14m. Total value of its investment portfolio is put at £1.6bn.

Mr Sydney Mason, chairman, predicted that earnings per share would increase again this year, but not at the same rate as in 1986 and 1987. He also laid to rest the continued speculation about his retirement. He had no plans to go, he emphasised. This will be interpreted in the City as presaging a continuation of the cautious management that has characterised Hammerson in recent years.

The same seems on the cards for 1988. Bid chatter is likely to continue. By the end of the year significant City of London developments should begin to contribute to £1.6m for the year ended earnings, but the effect of that will not really be seen until 1989. The group's revenue base this year will be much the same as last, but with contributions from phase two of the Square One shopping centre in Mississauga, Canada, and two German department stores. The Achilles Heel remains currency fluctuations, at best difficult to predict. The outlook then is for a modest increase in pre-tax profits, helped by £20m gross of disposals, to around £60m-£62m. In 1987, Hammerson's tax charges were an abnormally low 18 per cent. Assuming they rise to about 25 per cent this year, earnings per share would be held back to perhaps 24.5p, suggesting a prospective p/e of 23.4, while net asset value is likely to rise to 750p a share.

● comment

Hammerson had a moderate if not particularly exciting year and

Crowther share options prior to offer

BY ALICE RAWSTHORN

SENIOR executives of the John Crowther Group, now the subject of a takeover bid by Coloroll, were granted additional share options and salary increases only two days before it made a formal announcement that it had received an approach from a prospective bidder.

The share options of Mr Trevor Barker, Crowther's chairman, were increased by 93,750 shares to 273,979 on Wednesday, March 16. He owns 806,115 shares in the company. On the same day, Mr Barker's salary was increased by £25,000 to £115,000 with effect from April 1. In addition to his salary he receives an annual fee of £80,000, agreed some years ago.

Two days later, on March 18, Crowther announced that it had received an approach which could lead to a bid for the company. Coloroll, which made that approach and mounted an all-share bid three weeks later, says that it had informally indicated its intention to bid to the Crowther board "some weeks" before March 16.

Mr David Suddens, who recently joined to head its clothing division, was also granted options on 234,375 shares on March 16. On the same day Mr S. Lister, a senior executive, received options for 43,945 shares.

All three executives were granted options to buy the shares at 128p. On the following day, the middle market price for Crowther's shares was 142p. The shares closed at 186p yesterday.

Mr Michael Abrahams, deputy chairman, received a salary increase of £15,000 to £115,000 on March 16.

WA Hldgs profits rise 57%

By Patrick Daniel

W A Holdings, which distributes products ranging from heavy-duty conveyor belts to pushchairs, reported a 57 per cent increase in pre-tax profits to £1.6m for the year ended January 31 1988, against £1.02m.

The results, which included six months' profits from Conference Associates, the conference organiser acquired in July for £735,000, reflected improved margins in all trading divisions. Overall, they increased to 7.6 per cent of sales, against 6.5 per cent; turnover was up 17 per cent to £21m (£18m).

A final dividend of 0.8p is proposed, making a total of 1.2p (1p). Earnings were 3.02p, up from 2.49p, after allowing for the July rights issue.

Mr Brian North, chairman, said that with growing profits and a healthy balance sheet, the group was seeking further acquisitions both in its present range of activities and in new areas, particularly services.

The share price closed unchanged at 30p.

Reluctant Rowntree agrees to meet Suchard

By David Waller

Rowntree, York-based chocolate company which last week suffered a dawn raid at the hands of Jacobs Suchard, yesterday gave grudging consent to a meeting with the Swiss company.

Rowntree chairman Mr Kenneth Allen, responding to a request for a meeting, has sent a letter to Mr Klaus Jacobs, Suchard's chairman, in which he reiterates Rowntree's determination to remain independent.

"In these circumstances we are not clear what purpose would be served by holding a meeting," he said. "If, however, in the light of these comments, you still wish to have a meeting, I would of course be willing."

Last Wednesday, Suchard secured 14.9 per cent of Rowntree's equity at 630p per share. It indicated its desire to take its holding to 25 per cent at no more than 630p per share; yesterday, the shares closed unchanged at 738p, having gained 28p on Tuesday.

Andrew Hill and Nikki Tait on Peek Holdings approach to Dubilier

Putting together a jigsaw puzzle

"IT'S LIKE a jigsaw puzzle." Ken Maud, the immaculately pin-striped South African who moved into shell company, Peek Holdings, two years ago, contemplated his latest deal – a £107m merger with electronic components company, Dubilier.

"You have to picture what the whole thing looks like. You put a few pieces of the sky together", he suggested, "and you put a few pieces of the ground together. Then you join them up."

In Mr Maud's case, Dubilier is more like a large slab of sky. The deal more than doubles Peek's equity, profits andturnover.

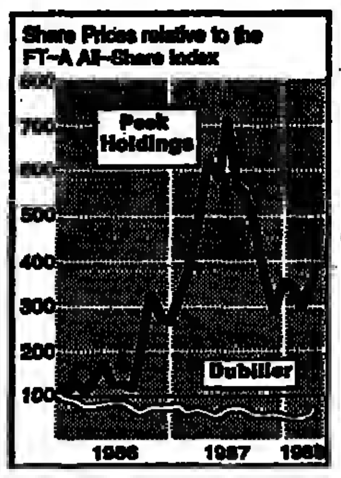
Looked at simply from a dealmaker's viewpoint, this recommended paper bid has some sizeable attractions, even if the industrial logic is not particularly compelling.

Mr Maud, who started out as an investment analyst in Johannesburg before taking 10 years to build up the South African Allied Technologies group, concedes that last October's crash spelt problems for Peek.

In the heady bull market, shares in this former grain and animal foods group surged from the equivalent of 20p to 160p, facilitating acquisitions for paper. Post-crash, they plunged back to the 40p level.

Admittedly, Mr Maud managed to get a number of deals under his belt before the market maelstrom struck. The first was Saratosa, a Winchester-based company whose operations range from traffic measurement instrumentation to acoustic consultancy, bought for around £25m. This was followed by Coventry-based *Husky Computers (for* £3.8m), and another instrumentation and monitoring equipment supplier, Computer Instrumentation Corporation in Long Island, for £5.4m.

Post-crash, Peek managed to salvage one deal – the $6.3m acquisition of Houston-based Polysonics – which was under negotiation before Black Monday.



Ken Maud: like a jigsaw puzzle

But in general, the savaging of share prices has abruptly halted the ability of former shell companies to continue their acquisitions.

From Peek's point of view, then, the chance to swop its shares in a recommended deal for a company which has net cash of £30m must seem a godsend.

On the industrial front, however, the products and strategies of the two companies have only tenuous links: both are in electronics, but there most analysts feel the synergy ends . So how does this new piece fit into Mr Maud's jigsaw puzzle?

Peek's objectives, as expressed in the latest annual report, include the ambition to "operate internationally in the high technology sector" and to become "a leading supplier of dedicated products and systems".

But Dubilier's electrical and electronic connectors come earlier in the production process than Peek's current range of goods and serve a different market.

A month ago, when Dubilier announced the £37m sale of *Beswick, its circuit protection* subsidiary, Mr Chris Bean, who joined the company as finance director ten years ago and is now chief executive, said the company would concentrate on the radio frequency (RF) connector market, specifically the high frequency, highly priced end, with military, aerospace and fibre-optic applications.

Peek, by contrast, supplies finished measurement products, computer systems and instrumentation to the petro-chemical, healthcare and industrial markets.

Mr Maud talks about incorporating Dubilier technology and expertise into Peek's sensor manufacturing. The acquisition will broaden the combined group's customer base, he says, and lessen Peek's reliance on bumpy markets, such as petro-chemicals, by opening up the less volatile electronics industry.

For Dubilier, the merger would help overcome the disadvantage of being a comparatively small player in a fast-moving sector.

The company has a mixed financial record. After a bumpy period in the late 1970s, it saw pre-tax profits rise from just under £2m in 1982 to £6.5m in 1985 before a combination of lacklustre electronics markets saw a drop to £5.02m. Last year saw a recovery to £6.7m.

The Beswick sale surprised many in the City but was symptomatic of a new strategy: to concentrate on building the radio frequency connector business, both organically and through small acquisitions.

"I always felt that, for this industry, we needed to be a larger company, and it was a matter of how one got there. Obviously once the paper value went down because of the crash, that aim became a lot more difficult to attain," said Mr Bean.

The deal, although recommended, is not yet secured. Despite the presence of some disclosable share stakes, the only irrevocables which Peek has tied up are those of the directors – representing just under 5 per cent of the shares. In a couple of other deals recently, paper offers have been hastily overtaken by a cash bidder – witness Dixons at Wigfalls, and Hepworth Ceramic at Henderson.

Yesterday , however, analysts suggested that at the current level of the Peek offer – a *competing* cash bid was unlikely. Certainly the price of Dubilier shares – up from 176p to 211p, but shy of the 232.5p value of the Peek offer – do not appear to take the possibility of a rival offer very seriously.

The one reaction which cannot yet be judged is that of Molex, the Chicago-based electronics group, which entered into a distribution agreement with Dubilier last summer and has a 5.88 per cent share stake.

Yesterday, the nature of Dubilier's suitor appeared, at least temporarily, a mystery to the American company, and it was still assessing the situation.

In short, the get-together is perhaps best summed up by one analyst who said: "There are three basic reasons for this deal – it gives Peek much more clout, Dubilier is stuffed with cash – and available." The jigsaw fits.

Frost expands 22% to £2.3m

Despite a decline in turnover from £57.95m to £40.67m, taxable profits of Frost Group expanded by 22 per cent to £2.32m in the year to end-December.

Mr R J Frost, chairman, said the group, which is involved in petroleum retailing, financial services and sales promotion, had started the current year well.

Tax took £539,000 (£392,000), leaving earnings per share of 12.52p, up from 10.67p in 1986.

The directors propose a final dividend of 4p, making 7p (5.25p) for the year.

Bardsey rallies to £0.8m

WITH SECOND half profits topping £470,000, Bardsey is to return to the dividend list with 0.25p for 1987 the first payment since 1983.

Over the year this manufacturer and distributor of hand tools lifted pre-tax profits from £248,000 to £802,000 on turnover virtually unchanged at £26.78m (£26.53m). This was backed up by a cut in interest charges to £398,000 (£504,000) following a £1m reduction in borrowings.

Mr David Burnet, chairman, said the UK hand tool market was growing every year. The group's share was increasing and progress for the first quarter of 1988 was "significantly ahead" of 1986.

Mr Harry Westropp, managing director, said there was strong organic growth still to come. Bardsey was also looking to acquire complementary businesses in the private sector.

In 1987, benefits of rationalising by concentrating on the core hand tool businesses came through strongly; Rabone Chesterman and RCF Tools showed significantly better profitability.

Earnings worked through at 3.17p (1p) after tax £67,000 (£10,000)

Laporte $13m US expansion

Laporte Industries, UK chemicals group, is paying $12.7m (£6.7m) cash for Johnson-March Organisation, a privately-owned company based in Philadelphia. Its main subsidiary, Waverly, is involved in the quarrying, production and marketing of clay-based absorbents used in pet litter and industrial applications.

Laporte, which reports figures today, said that the deal will secure quality raw materials on the East Coast; complementing interests in the UK, Spain and Brazil.

Diversification gets under way as Steel Burrill buys broker

BY NICK BUNKER

Steel Burrill Jones, Lloyd's broker, is taking action to end its dependence on London's volatile marine reinsurance market by paying up to £6.2m to buy H Stephenson, a Gravesend-based, privately-owned insurance broker for British industrial companies.

In another sign of big changes under way at Steel Burrill, the group said yesterday that it planned to recruit Mr George Boden and Mr Tony Keys as executive directors to spearhead a diversification programme into other specialist areas of insurance broking.

Yesterday's news was further evidence that Lloyd's brokers are under pressure to reorganise their management and strategies as the insurance broking sector faces up to its worst trading conditions this decade. Steel Burrill's shares climbed 11p to close at 186p last night.

The group said it had agreed in principle to buy 80 per cent of Stephenson for an initial £3.4m in shares, plus a further consideration of between £400,000 and £1m depending on Steel Burrill's 1989 profits. It plans to buy the remaining 20 per cent for between £1.3m and £1.8m, depending on Stephenson's 1989-1991 results.

Steel Burrill has also agreed in principle to pay £300,000 in new shares to buy Ausford Management, Mr Boden's and Mr Keys's insurance consultancy company. They will receive up to another £700,000 depending on the profits of businesses they bring to Steel Burrill as part of its diversification.

The background to yesterday's news lies in Steel Burrill's history as a broker of so-called London market marine excess-of-loss reinsurance, or "LMX" business.

Traditionally, the Lloyd's of London-based LMX market has been very lucrative for reinsurance brokers, but in 1987 Steel Burrill's pre-tax profit declined 20 per cent to £4.48m under pressure from a weakening dollar and falling premium rates.

The group has been looking for some time for ways of broadening its scope to lessen its dependence on LMX.

William Sindall

William Sindall, builder and property developer, lifted pre-tax profit by 24 per cent from £605,660 to £1m on turnover up from £37.28m to £45.37m for 1987.

Further growth and a reduction in short-term borrowings is anticipated by the directors.

Earnings per share rose to 15.74p (11.58p). A final dividend of 2.5p gives a total of 3.1p (2.5p).

Cranswick to acquire Pork Cuts

The USM quoted Cranswick Mill Group is acquiring Pork Cuts for £1.2m, in 1.2m shares (representing 17.8 per cent of the enlarged capital) and £168,000 cash.

Pork Cuts is being bought from J R Rawson & Sons. It is based in Hull and supplies pig meat products to food retailers and manufacturers. It has warranted pre-tax profits of £170,000 for the year to April 5 1988, reflecting an increase in volumes and margins.

Cranswick, a pig feed and pig marketing group, supplies half of Pork Cuts' pigs.

IN BRIEF

DECLAN KELLY GROUP (unquoted housebuilder) lifted pre-tax profit to £3.1m in 1987 (£1.6m) from turnover of £34.5m (£19.2m). Trends suggested that level of growth would continue in current year, directors said.

GOLD & BASE Metal Mines (investment holding company): Pre-tax profits £72,500 (£58,800) for 1987. Dividend 0.4p. Earnings per 12½p share 0.46p (0.49p).

EX-LANDS (investment holding company): Pre-tax profits £202,900 (£158,000) for 1987. Dividend 0.9p (0.75p). Earnings per 10p share 3.44p (2.72p).

ROYAL INSURANCE has acquired a majority stake in Pritchards, an estate agency operating in north-west England and north Wales.

COMMERCIAL UNION Assurance: Chairman told annual meeting that he could make no forecast of financial outcome for 1988 but said further improvement in earnings was anticipated.

BICC: Chairman told the annual meeting that order books were generally very strong and trading performance in all areas continued at good levels. Overall, group had made a good start to the year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div	Total for year	Total last year
Ashley (Laura)	...fin	1.5	-	1.5	2.35	2.25
ATA Selection §	...fin	1.1	-	0.9	1.8	1.5
Atlas Conv §	...fin	4.5	-	3.3	7	3.3
Bardsey	...fin	0.25	-	nil	0.25	nil
Bodycote Int.	...fin	3	July 1	2.28*	5	4*
Conder Group	...fin	3.5	-	2.5	5.5	4
Ex-Lands	...fin	0.9	-	0.75	0.9	0.75
Frost Group	...fin	4	-	2.75	7	5.25
Gold & Base Met.	...fin	0.4	-	nil	0.4	nil
Hammerson Prop	...fin	8.52	June 13	8.5	11.5	10.5
Hartons	...fin	0.87†	-	1.07	1.48	1.6
Sindall(William)	...fin	2.5	-	2	3.1	2.5
Taylor Woodrow	...fin	8	July 1	7.25	10.5	9.5
W A Holdings	...fin	0.8	July 29	1	1.2†	1
Yule Catto	...fin	1.75†	July 5	1.38*	3*	2.13*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM stock. §Unquoted stock. ¶Third market. ●Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Biotechnology Investments, Kwik Save, St Ives, Wade Potteries.

Finals- Bank of Scotland, Brown and Jackson, Carlton Industries, Costain, Hollis Investment, Hawker Siddeley, International Business Communications, Jacques Vert, Kalon, Kentish Property, Laporte Industrial, Mersey Docks, Pursands, Austin Reed, Singer and Friedlander, Southend Property.

FUTURE DATES

Interims-

Allied London Properties	Apr 25
Low (William)	Apr 21
M & G Group	Jun 6
Norton Opax	Jun 15

Finals-

British Airways	May 24
Fobel Agricultural Inds	Apr 28
Kwik Save	May 9
Moss Bros	Apr 28
River & Mercantile Geared	Apr 21
Capital & Income Trust	May 10
Scottish & Newcastle	Apr 28
Scot & Robertson	Apr 27
Shiloh	Apr 21
Whatman Reeve Angel	Apr 21

UK COMPANY NEWS

Philip Coggan looks at Shani's rapid rise

Fashionable outfit has designs on the market

Shani, a clothing designer and manufacturer which supplies retailers such as C & A, is set to join the stock market next month. A main market placing organised by Capel-Cure Myers will value the group at between £12m and £14m.

The group was founded back in 1955 by its current chairman and managing director, Mr Martin Hollis, and his uncle, Mr Harry Samuels. But the most dramatic acceleration in Shani's growth has occurred over the past three years, with pre-tax profits increasing from £441,000 in the year to end July 1985 to £1.4m last year.

In the first six months of the current financial year, Shani made pre-tax profits of £987,000 on turnover of £6.4m and it is expected to forecast pre-tax profits of between £1.8m and £2m for tha full year.

Shani concentrates on clothes for women and young girls, producing skirts and blouses for what it describes as the "classical" rather than the "high fashion" end of the mase market. Although the market is still very competitive on price – a Shani skirt can retail for just £14.99 – it is less prey to sweeping changes in public taste.

Succese in such a market depends on keeping tight control of the production process. In its early days, Shani sub-contracted most of its manufacture but since 1971, when it built its first factory near Doncaster, it has gradually increased the percentage of its goods that it produces in-house.


Martin Hollis: extensive investment in new machinery

Shani now manufactures 70 per cent of its output. "We use the sub-contractors as a buffer to cope with the peaks and troughs of demand" says Mr Hollis.

The past three years has seen extensive investment in new machinery, and in more sophisticated cloth handling techniques with a resulting improvement in productivity.

Another key to controlling costs is fabric sourcing. Shani travels extensively to find the best fabrics at the most competitive price – polyviscous and viscous fabrics are popular at the moment.

Shani's in-house designers then prodnce sampla goods for approval by retail customers and only when it receives an order for finished goods, does it purchase fabrics for production.

C & A has been a major customer of Shani for over 30 years and still accounts for more than half the group's turnover. Bnt Shani also supplies BHS, Tesco, Debenhams and D H Evans – all under their own brand names.

Shani's only failure in recent years was an investment in textile conversion which the group made in 1978 via the purchase of a 51 per cent interest in Rolfe Craig Textiles, Rolfe Craig was placed into receivership in April 1985.

A main market listing will, Mr Hollis hopes, enable the group to make acquisitions and expand its product range. Knitwear and tailored jackets are two possibilities under consideration.

At the moment, Shani's products are sold predominantly to women in the over 30 age bracket but the group also makes clothes for girls in the 5-15 age range.

Around 25 per cent of the group's equity will be placed when Shani joins the market in early May, with the prospective p/e ratio expected to be around 10.

Micrelec for USM with £11m valuation

By Fiona Thompson

Micrelec Group, maker of electronic equipment for the automation of petrol stations, is joining the Unlisted Securities Market via a placing valuing it at £11.22m.

County NatWest Wood Mackenzie is placing 2.97m shares, representing 29 per cent of the enlarged equity, at 110p each. Of those, 1.98m are new and will raise £1.98m for the company to expand. Existing shareholders are selling 987,044.

The group operates through three subsidiaries, Micrelec, Normond and LSL. Micrelec was founded in 1980 by Mr David Willis, group chief executive; it develops, makes and markets electronic pump controllers and point-of-sale systems for petrol stations.

Normond, acquired in February 1987, makes, sells, installs and services electronic and mechanical tank gauges for use in fuel storage tanks at petrol stations and elsewhere.

LSL installs and services tank gauges, pumps and electronic equipment at petrol stations.

In the past five years Micrelec has increased pre-tax profits from £76,000 in the year ended March 31, 1983 to £857,000 in 1987, on turnover up from £1.05m to £4.80m. The flotation is supported by a profits forecast for the year to March 31, 1988 of £1.28m, giving a prospective price/earnings multiple of 12.56 times.

The group's main customers are the major oil companies and the petrol station groups such as Rank and Granada. Its largest order to date is a £2.2m deal supplying more than 200 Texaco petrol stations in the UK and Denmark.

Moorfield Estates capitalised at £10m

BY FIONA THOMPSON

Moorfield Estates, commercial and residential property developer in Yorkshire and the West Midlands, is coming to the Unlisted Securities Market in a placing organised by Strauss, Turnbull.

Some 2.4m shares - 29 per cent of the enlarged equity - are being placed at 120p each, giving the company a market capitalisation of just over £10m. One third of the placed shares are being sold by existing shareholders, and the balance will raise £1.78m for additional working capital.

The company was founded in 1983 by Mr Tony Phillips, now chairman, Mr David Edelman and Mr Geoff Hoffman, joint managing directors, and Mr Ken Jackson, development director. Initially it concentrated on housebuilding but moved into commercial refurbishment and development in 1986.

Of last year's £7.49m turnover, £4.7m (62.5 per cent) was commercial business and £2.8m (37.5 per cent) residential. "Our aim is 75 per cent commercial, 25 per cent residential," said Mr Edelman.

The company intends to remain northern based. "We will extend our area of operations but nothing south of the West Midlands," he said. "There is no shortage of oppportunities in Yorkshire and the Midlands."

On the residential side Moorfields has a land bank of two years in Sheffield and four years in Doncaster/Leeds. It completed 75 houses last year, ranging in price from £35,000 to £150,000.

Commercial developments have included a major supermarket and shopping complex in Leeds and a number of office and shop developments.

Profits have risen from £118,000 in 1984 to £813,000 in the year to October 31 1987.

The company has forecast pre-tax profits of not less than £975,000 for 1988, producing a prospective p/e of 12.85p.

Dealings are expected to start on April 26.

Dagenham drives to full listing in £18m placing

BY PHILIP COGGAN

Dagenham Motors has become the latest in a series of car dealers to join the stock market via a placing which values the group at £18.2m.

Dagenham was formed via a management buyout in 1981 led by the cnrrent chairman, Mr David Philip. Two Ford motor dealerships, in Dagenham and Barking, were acquired in a £1m package with the backing of Investors in Industry (3i), Gresham Trust and Charterhouse.

Further acquisitions followed and the group now has four Ford car dealerships and two Ford Iveco truck dealerships. Turnover has grown from £20.5m in 1983 to £83.6m last year and pre-tax profits have risen from £397,000 to £2.26m over the same period.

Just over 42 per cent of the enlarged equity is being placed by Samuel Montagu. Around 4.2m of the shares being placed are new, netting Dagenham £4.2m. Existing shareholders are selling a further 2.8m shares.

At the placing price of 110p, the shares will be on a historic p/e of just under 10. Dealings are expected to start on April 26.

Conder profit surges by 72%

The first steps towards improving operating margins and concentrating on mainstream activities have been reflected in the results for 1987 from Conder Group.

This fabricator of steel-framed buildings has lifted its turnover by a mere 2 per cent to £126.67m, but its pre-tax profit has shot up 72 per cent, from £1.52m to £2.62m.

Earnings almost doubled to 29p (15p) after a tax charge of £297,000 (£283,000). Shareholders benefit, with their final dividend being lifted 1p to 3.5p for a 5.5p (4p) total.

Atlas Convert over £2m

TURNOVER at Atlas Converting Equipment rose 63 per cent in 1987 from £8.85m to £14.47m. This resulted in taxable profits of £2.21m, against £1.6m previously.

The directors of this USM-quoted company said the increase in turnover resulted from the first year's trading of General Vacuum Equipment and the increase in production capacity at Titan, slitting machinery subsidiary, and Atlas.

A recommended final dividend of 4.5p more than doubles the total to 7p (3.3p). Earnings per share rose 45 per cent from 12.7p to 18.5p.

ATA Selection rises 54%

ATA Selection, USM-quoted recruitment selection consultancy, lifted pre-tax profits in 1987 by 54 per cent to £780,000, on turnover ahead from £3.77m to £4.48m.

Comparisons for 1986 have been restated to include the results of Broadcastle, acquired last May. The directors said that to ensure Broadcastle's continued expansion they were seeking approval for an increase in borrowing powers from £3m to £6m.

A final dividend of 1.1p is proposed, making 1.8p (1.5p).

Hodgson £3m expansion

BY ANDREW HILL

Hodgson Holdings, rapidly-expanding funeral director, has bought a further 11 private funeral businesses for a total of £2.9m. The company said more acquisitions would be announced shortly.

All but one of the businesses were purchased for cash. They are mainly in the north of England, but also include funeral directors in Edinburgh and Brighton.

Hodgson, the UK's second largest funeral director after the Co-op, has bought 21 funeral businesses since October 31, and has made 46 acquisitions since the company was quoted on the USM in June 1986.

Porter Chadburn in £4m acquisition

Porter Chadburn, engineering and associated equipment manufacturing group, has agreed to acquire Hi-Line and Pegley-Davies, two separate importers and distributors of fishing tackle, for a maximum sum of £4.1m.

The initial consideration of £1.29m for the entire share capital of Hi-Line will be satisfied by the issue of 834,403 new ordinary shares in Porter Chadburn and £650,000 in cash.

Additional consideration to a maximum of £1.7m depends on the pre-tax profits of Hi-Line for the three years to December 1990.

Pegley-Davies has been acquired for an initial consideration of £1.12m in cash – 50 per cent on completion and the balance within two years – and the issue of 30,000 new ordinary shares. Mr Raymond Dinkin, Porter Chadburn chairman, said he was confident the acquisitions would enable the group to become a leading player in the fishing tackle market and should have a positive impact on the group's earnings per share.

Cussins Property

Net asset value of Cussins Property at December 31 1987 was 252p per share, not 2.52p as stated in yesterday's FT.

Weir gas purchase

The Weir Group, Glasgow-based engineer, has acquired an Edinburgh company, Liquid Gas Equipment, which designs, engineers and supplies systems for the storage and handling of liquefied gases. The systems are used in ships designed for the bulk transport of gases and in associated shore installations.

Weir has made an initial £3m payment in shares, loan notes and cash. Additional amounts will be payable equivalent to 62.5 per cent of the pre-tax profits of LGE in 1988, 1989 and 1990 – not to exceed a total of £8.5m.

The net book value of assets being acquired was £45,007 at the end of 1987.

APPOINTMENTS

Grand Met legal director

GRAND METROPOLITAN has appointed Mr Roger Myddelton as group legal director and company secretary from July 1. He will also be secretary to the management committee and have responsibility for the group risk management function. He will replace Mr D.J. (Peter) Dickinson who retires next month.

★

STAKIS LAND & ESTATES has appointed Mr David Aspin as managing director. He was a director. He also becomes a main board director of Stakis.

★

Sir Keith Bright, chairman of London Regional Transport, has been appointed chairman of the NATIONALISED INDUSTRIES' CHAIRMEN'S GROUP, in succession to Sir Robert Reid, chairman of British Railways Board.

★

Mr Ivan N.F. Powell, formerly regional general manager with National Westminster Bank, has been appointed general manager of LONDON ARAB INVESTMENT BANK.

★

Mr Arthur Pryor has been appointed director general of the BRITISH NATIONAL SPACE CENTRE. He succeeds Mr Jack Leeming, who has retired. Mr Pryor is director of the Department of Trade and Industry's West Midlands region.

★

ROBERT FLEMING ASSET MANAGEMENT has made the following appointments to the boards of its operating companies: At Fleming Investment Management - Mr John Emly (chairman and chief executive); Mr Bob Armstrong, Mr Peter Barnshaw, Mr Terry Beale, Mr Martyn Ensley, Ms Morfydd Evans, Mr Ernie Hayes, Mr Paul Hinks, Mr Neil Honebon, Mr Michael Hughes, Mr Viv Johnson, Mr Ian Payne, Mr John Redwood, Mr Peter Seabrook and Mr Bob Wilson. At Fleming International Investment Management - Mr Patrick Gifford (chairman and chief executive); Mr Christopher Tracey (managing director - investment); Mr Max Hopfl, (managing director - marketing and development); Mr Stephen Bates, Mr David Brown, Mr Nigel Chapman, Mr Chris Cottrell, Mrs Ann Cranmer, Mr Brian Doris, Mr John Gibbons, Mr Tim Hyde, Mr Leonard Ingrams, Mr Martin Lister, Mr David Paterson, Mr Ian Payne, Mr Patrick Thompson, Mr Hugh Twiss and Mr Michael Warrender. At Fleming International Fixed Interest Management - Mr Patrick Gifford (chairman and chief executive); Mr David Boardman (chief executive); Mr Peter Askew and Mr David Testa (US). At Fleming Personal Portfolio Management - Mr Julian Tregoning (chairman and chief executive); Mr Graham Ball, Mr Adam Fleming and Mr David McEuen. At Fleming Investment Trust Management - Lord Mark Fitzalan Howard (chairman and chief executive); Mr Adam Fleming, Mr Val Fleming, Mr Ron Henderson, Mr Max Hopfl, Mr Nick Prowse and Mr John Redwood. At Fleming Asset Management Services - Mr John Manser (chairman); Mr Terry Beale, Mr David Brown, Mrs Ann Cranmer, Mr Brian Doris, Mr Colin Rye, Mr Bill Smith, Mr John Stuart and Mr Andrew Wall.

★

Mr Mark Goldberg, chairman and managing director of A. GOLDBERG & SONS, has become chief executive and continues as chairman; Mr Michael Marks, deputy managing director, becomes group managing director; Mr Ian Steven continues as group finance director; Mr Kenneth Graham, group managing director of Scottish and Universal Investments (SUITS) a subsidiary of Lonrho, has been appointed a non-executive director; Mr Terry Racionzer has resigned. A new operational board, responsible for the group's retail and services operations has been formed: Mr Norris Stewart, managing director of Wrygges and Wrygges man division; Mr Sandy Alexander, managing director of the Schuh division; Mr Graham Scott, managing director of the Goldberg division; Mr Jack Stein, director of property services; Ms Diane Sheret, director of human resources; Mr Jim McConnell, director of finance; and Mr Gus MacMillan, director of information technology.

★

A new wholly-owned subsidiary, ALFRED BLACKMORE PROFESSIONAL INDEMNITY, has been formed by Alfred Blackmore & Co. The following have been appointed directors: Mr J.H. Northridge (chairman); Mr C.W. Gadd, (deputy chairman); Mr J.M. Carruthers (managing director); Mr R. Ennever; Mr C.E. Holroyd (finance director); Mr J.R. Knott and Mr S.J. Lakey.

★

BLANCHARDS has appointed Mr Clive Crawford as managing director of the group's subsidiary, First Architecture Group.

★

Mr Barry Widdowson and Mr Humphrey Claxton have been appointed to the board of MANGANESE BRONZE HOLDINGS. Mr Widdowson is managing director of the vehicle division, and Mr Claxton joins from Portals Holdings Group where he was responsible for corporate strategy.

★

Mr Michael Mitchell, chief executive of J.E. Beale, has joined the board of ECONOMIC FORESTRY GROUP as a non-executive director.

COMMODITIES AND AGRICULTURE

Dominican nickel production halted

By David Owen in Toronto

NICKEL PRICES rose sharply early yesterday in pre-market dealings on the London Metal Exchange.

The rise followed the announcement that Falconbridge, the big Canadian non-ferrous metals producer, had suspended ferro-nickel output at its 85 per cent-owned Falconbridge Dominicana unit in the Dominican Republic.

The plant accounts for about 5 per cent of the western world's nickel supply.

The decision stemmed from lack of progress in talks between the company and the Dominican Government over export duties and the Government's recent prohibition of further ferro-nickel shipments pending a satisfactory resolution of the dispute.

Since last December, Falconbridge Dominicana has shipped only 4m to 5m lb of contained nickel. This has resulted in accuoulation of a stockpile of about 8,000 tonnes of material, equivalent to a full quarter's ontput.

The dispute initially flared up last November wben Mr Joaquin Balaguer, the republic's octogenarian president, tried for the first time to impose an export tax on Dominican ferro-nickel.

Later talks, which continue in spite of the shutdown, forced Mr William James, Falconbridge's outspoken cbairman, to spend much of last month in the Caribbean.

Mr James has indicated Falconbridge would accept a "fair" tax. However, he objects to Mr Balaguer's current proposals both because tbe levy would be imposed on revenues rather than profits and because it would fluctuate along witb the shaky Dominican currency.

The company is so far believed to have deposited about $2m with the Government, to be counted towards "future taxes."

Falconbridge Dominicana last year earnt $13.4m, its first profitable year since 1979. Output of nickel contained in ferro-nickel reached an all-time high of 32,500 tonnes.

Our Commodities Staff adds: The early advance on the LME saw follow through to overnight US merchant covering, speculative buying and covering against pbysical sales – but European merchants appeared keen to sell into the rise.

By close of trading, prices had retreated from earlier highs. Three-month metal, which bad reached as high as $7 a pound in tbe early morning, closed at $14,825 a tonne, equivalent to $6.72 a pound.

The premium for cash metal of $3,000 a tonne is ettracting lending to the market. Traders sell metal for cash and cover their sales with a three-month purchase at a cheaper price.

Australian farm bureau expects bigger wheat crop

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIA, one of the world's top wheat exporters, expects to see an increase this year both in the area planted to wheat and in overall production, the first such improvements for five years.

Estimates released yesterday by the Government's Bureau of Agricultural and Resource Economics pointed to a 7 per cent increase in the area planted, to 9.5m hectares, and an 8 per cent rise in output, assuming average yields, to 13.2m tonnes.

The figures are important internationally because they influence the delicate supply-demand balance in traded wheat and domestically because wheat remains the country's most important commodity export after wool and coal.

The bureau's report, which also covers crops such as cotton, rice and sorghum, has been keenly awaited because it follows a period of unusually heavy rainfall in most states and particularly in northern New South Wales and southern Queensland.

Regarding cotton, tbe report says the rain has inflicted substantial losses in yield and, in some areas, a downgrading in quality of up to two grades.

However, because plantings are higher than previously thought, it puts production of lint and cotton seed for 1987-88 at 245,000 tonnes and 380,000 tonnes respectively, higher than earlier estimates.

The bureau says the rains have also delayed the sorghum harvest in northern New South Wales and southern Queensland. Output is estimated at just over 1.6m tonnes, which compares with 1.18m tonnes in 1986-87.

Worst affected by the rains are production of soyabeans and of peanuts. Some crops have been totally lost, and yields have been reduced.

The forecasts for wheat plantings and production, though encouraging, are still well short of the levels seen earlier this decade.

In 1983-84, the area planted was almost 13m ha. Production was also a record, at 22m tonnes, as a result of record yields.

The bureau says that the timing and the amount of rains over the next few months will influence farmers' choices of particular crops, but adds that the recent rains have induced widespread field preparation for winter cereal crops, oilseeds and legumes.

For oats, it says, there are indications of a big crop, with first estimates of sowings at a near-record 1.7m ha, up 20 per cent on last year's planting. Barley production is also expected to increase slightly.

In a separate development, the Government has meanwhile announced it will release a discussion paper today on the future of Australia's grain industries.

The paper follows a Royal Commission inquiry into grain storage, handling and transport and a separate Industries Assistance Commission report on wheat marketing at home and abroad.

AUSTRALIAN WOOL prices reached fresh records yesterday as sales resumed after the three-week Easter recess, reports Reuter from Melbourne.

Following the Sydney and Melbourne auctions the Australian Wool Corporation said its market indicator had risen by 44 cents to 1,221 cents a kilogram (clean).

Amid intense competition merino fleece of 21 to 24 microns gained up to 8 per cent on pre-recess prices, while others were up to 3 per cent dearer, the corporation said in its market report.

Of the 41,766 bales on offer, 98.6 per cent was sold to the trade and 1.4 per cent was passed in.

Freight futures in free fall

By David Blackwell

THE FREE fall in prices of the Baltic International Freight Futures Market (Biffex) dry-freight futures contracts continued yesterday.

Trading was suspended for 15 minutes for the second consecutive day as the market fell more than 50 points in the afternoon.

After the suspension the July contract recovered on short-covering and closed at 1,285 points – a fall of 30 points to add to Monday's 66-point fall and last week's total decline of 137 points.

The contract is now at its lowest level since the New Year, when the recent strong bull run started, taking prices to more than 1,600 points.

The weakening spot market is now well ahead of the futures market. Yesterday the Baltic Freight Index on which the futures contracts are based fell to 1,493 points, from 1,519 points.

The extremely bearish sentiment looks set to continue, traders said yesterday. The shipping market, which is by its very nature illiquid, remains vulnerable to sentiment and the downward spiral is likely to feed on itself until shipowners start to hold ont for higher prices.

The bull run was fuelled by the tight supply of ships and good demand.

Rubber pact talks to focus on buffer stock strategy

BY WONG SULONG IN KUALA LUMPUR

REPRESENTATIVES from the 32-nation International Natural Rubber Organisation (Inro), begin their week-long, half-yearly meeting in Kuala Lumpur today, focusing on buffer-stock sales and on the start of the second International Rubber Agreement.

Mr Aldo Hofmeister, buffer-stock manager, will brief members on the volume of his sales and his views on the rubber market.

The buffer-stock manager has been selling rubber since the price breached the "may sell" level of 232 Malaysian/Singapore cents a kilogram last September. He stepped up his disposals when the price broke through the "must sell" level of 242 cents in early January.

He is believed to have sold more than 200,000 tonnes from his 370,000-tonne stockpile. The current Inro rubber price is 255 cents. Premium grade RSS No. 1 is being traded on tha Kuala Lumpur market at 307 cents a kilogram, a seven-year high.

The periodic production shortage due to wintering, when tapping is reduced, coupled with strong demand both from Europe and Far Eastern countries like China and South Korea, have kept prices buoyant.

So far, Inro has received signatures from members representing more than 75 per cent of the votes from both the producers and consumers, while Malaysia and Indonesia among the producers have ratified.

Inra I expired last October and it needs 75 per cent of the members from both sides to ratify the pact before Inra II can come into force. Members have until the end of the year to do so.

An Inro official said various members had given undertakings to take steps to ratify the treaty.He expected the pact to come into force before the year's end.

The rubber pact is now seen as a success since the BSM has operated at both ends of the price range, buying in 1985-86 and selling in recent months to stabilise prices.

Inro members would also be looking forward to the views of the US delegates on how the US will obtain its funds for the agreement, following the US Office of Management and Budget's decision to cut funding for Inra II from its 1989 budget.

"The problem is now seen as technical and less threatening since the US has reaffirmed its commitment to Inra II," said an Inro official.

A rum do at EC Farm Council

By Tim Dickson in Luxembourg

EUROPE'S AGRICULTURE Ministers yesterday defused a potentially explosive cocktail of French rum and Greek ouzo.

The problem arose because of the long-standing demand by Paris for the continuation of a preferential levy on rum imports into France from Martinique and Guadeloupe, two overseas territories which enjoy special arrangements from the European Community.

On hearing that the French were to raise the issue again at Monday's meeting of Economics and Finance Ministers – perhaps with an eye to the forthcoming French presidential elections – the Greek Government announced that it was seeking help from Brussels for its hard-pressed ouzo producers as an effective *quid pro quo*.

Greek concern was allayed with the promise of a Commission report on the problem but it was only yesterday that Mr John McGregor, Britain's Agricultural Minister lifted a parliamentary scrutiny reserve on the question of the rum levy.

The result that is an average of 95,000 hectolitres of so-called agricultural rum can be imported into France from the French Territories between 1988 and 1992.

Shell discovery gives Gabonese oil new lease of life

Howard Schissel reports on a change of luck for Opec's smallest member

THE GABONESE oil industry has received a new lease of life from a big onshore discovery by Shell Gabon, the local affiliate of the Royal/Dutch Shell group, in association with Elf Gabon, the offshoot of the French national company, Elf Aquitaine.

Not only will new production from this find boost Gabon's output by 50 per cent, to about 12m tonnes in 1990, but it has also transformed the country into a hot prospect in international oil circles.

Before Shell uncovered tha Rabi-Kounga field in 1986 it was generally believed that with estimated reserves of 600m barrels Gabon's oil potential was limited and production would tail off rapidly.

"Without the Rabi-Kounga discovery Gabon's ontpnt would have slipped to under 6m tonnes in 1990," said Mr Fidele Waura, of Elf Gabon.

But now Gabon's onshore territory has become an oil province of considerable potential and an important new exploration surge is expected over tbe next few years.

Gabon, a former French colony, has been an oil-producer since the late-1950s but nearly all its output came from small offohore fields oouth-west of the Port Gentil oil centre. Ontput peaked at just over 12m tonnes in 1976 and has been waning ever since.

Gabon, the smallest member of the Organisation of Petroleum Exporting Countries, produced 8.5m tonnes last year, making it *third-largest oil-prodncer in sub-Saharan Africa*, behind Nigeria and Angola.

As output climbs, Gabon will reinforce this position by distancing itself from otber small regional producers like Cameroon and Zaire.

According to Mr R.M. van der Berg, Shell Gabon's deputy director general, reserves in place at Rabi-Kounga can be estimated at about 1.2bn barrels.

Oil industry sources in Libreville say recent drilling operations on and around the field show a figure of 2bn barrels is closer to reality. Moreover, the recovery rate is high at between 40 per cent and 50 per cent.

Work is still going on to delineate better the Rabi-Kounga field. Shell announced in late-January that a wildcat to the east of the field hit oil. Drilling has yet to be undertaken on the western side of Rabi-Kounga, so more good news cannot be ruled out.

Further, just to the north, on the Ogooue-Dianonga block, also jointly beld by the Shell-Elf tandem, two of three wildcats were positive.

Both companies will be intensifying exploration efforts, especially seismic surveys. They are seeking to gather better knowledge of the little-explored inland basin.

Since they have to relinquish a good proportion of their onshore holdings by the end of 1991, Elf *and Shell want to retain the* zones with the greatest hydrocarbon potential.

A $500m development programme for Rabi-Kounga is underway. It entails drilling at least 53 wells serving a central production facility by way of four gathering-stations. Output is expected to reach 4m tonnes a year by 1990.

Two pipelines are being built to transport the crude to existing facilities. Shell is working on a 90km line to its installations at Gamba, while Elf will construct a 120km pipeline to its terminal at Cap Lopez, near Port Gentil. The viscosity of this oil is such that it must be pre-heated to flow through the pipeline.

Work in this rugged, malaria-infested forest region is expensive, because *there is no infrastructure in place*. An airstrip is being built at Rabi-Kounga, as well as more than 100km of new roads and living-quarters for crews.

The Shell discovery has radically altered the strategy of oil companies in Gabon. They are concentrating on onshore acreage, especially post-salt, that is below the salt layer, prospects.

"I am convinced that in the years to come Gabon could again double its level of new reserves," said Mr Dave Norman, director general of Tenneco Gabon. He is not alone in this appraisal. Ten companies bid for operatorship on 14 blocks available in the third bidding round that closed at the end of November.

Among the bidders were Elf, Conoco, BHP, Amerada Hess, *Atlantic Richfield, Petrofina*, Tenneco, Sun Oil, Shell and Transworld. Awards are expected in March. Bidding for a number of offshore blocks still remains open.

It was Block B, situated onshore behind Libreville and stretching to the frontier with Equatorial Guinea, that attracted the most attention. The stakes are high for the companies because this is the last acreage available in Gabon before 1992.

Meanwhile, a relatively high level of exploration activity is expected this year. Tenneco, second-largest leaseholder in the country with five permits covering 9,500 sq km, is moving its exploration programme into high gear.

Mr Norman said that between $25m and $30m is to be spent this year on three exploration and two development wells on acerage acquired in the second bidding-round.

The Houston-based conglomerate became Gabon's fourth oil producer last year when three small offshore fields on the Obando Marine permit were brought on stream. Output this yearshould be just under 1m tonnes.

Amoco has met with tough luck in Gabon. *It struck oil off*shore in the early-1980s but the West Oguendjo field never lived up to expectations.

The Chigago-based group is launching a $25m investment programme, drilling this year two wildcats offshore as well as a few supplementary prodnction wells to push output back to about 1m tonnes at West Oguendjo.

Other US oil companies are also intensifying exploration. Conoco is in the middle of drilling its first wildcat on the promising offshore Simba block, in which it is a partner with Esson. Sun Oil, after completing seismic studies, is scheduled to begin drilling on its offshore Oyan Marine acerage.

Triton Energy, the Dallas-based independent, farmed out 80 per cent of its interests to Atlantic Richfield for $20m on its offshore Tchibobo marine permit, located on the extreme southern portion of the continental plateau along the maritime frontier with Zaire.

The reinterpretation of existing seismic data and some new surveys revealed interesting structures to drill on this acerage, Triton officials noted.

According to Mr Waura, Elf and Shell have planned a nine-well programme on and around Rabi-Kounga this year. Budgetary restrictions, however, could force retrenchment on initial plans.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,70-2,00 (2,280-2,300)

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 5.25-5.55 (5.40-5.60).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 8.30-8.60 (8.40-8.80), sticks 8.30-8.60 (8.40-8.80).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.85-7.05 (6.85-7.10).

MERCURY: European free market, min 99.99 per cent, $ per 76 lb flask, in warehonse, 280-290 (285-295).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.75-3.85 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 10.30-10.65 (10.30-10.60).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit (10 kgs) WO, cif, 55-60 (same).

VANADIUM: European free market, min 98 per cent, VO, cif, 3.10-3.20 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, *15.90 (16.30)*.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER and aluminium prices were fairly steady on the London Metal Exchange. Copper closed around the day's highs, and dealers said the market wasconsolidating above chart support levels of £1,100 stg and $2,100. But they did not rule out further downside movements, given the sluggish performance on Comex, despite steadily falling stocks. Aluminium held steady in the afternoon after fluctuating in the morning, when trading was active with *commission house* and *chartis selling and* liquidation being met by good trade covering against physical sales to Japan, traders said. Zinc prices were firmer following afternoon news that Cominco had raised the price for zinc sold outside North America to $1,030 a tonne. This attracted renewed buying and shortcovering to the market, which has been rather subdued since last week's smaller than expected producer price rise to $1,000 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.45-5.50t	-0.45
Brent Blend	$17.00-7.05w	-0.00
W.T.I.(1 pm est)	$18.15-8.20w	-0.65
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$185-187	-0.5
Gas Oil (Soviet)	$152-153	-5.5
Heavy Fuel Oil	$85-87	-3
Naphtha	$158-160	-4.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$457	-2.25
Silver (per troy oz)♣	645c	-5
Platinum (per troy oz)	$531.30	-13.45
Palladium (per troy oz)	$124.00	-1.00
Aluminium (free market)	$2310	-25
Copper (US Producer)	104⅝-107c	
Lead (US Producer)	35.5c	
Nickel (free market)	740c	-30
Tin (European free market)	£3632.5	+2.5
Tin (Kuala Lumpur market)	17.32r	
Tin (New York)	319.5c	-1.0
Zinc (Euro. Prod. Price)	$1000	
Zinc (US Prime Western)	51⅛c	
Cattle (live weight)†	110.17p	-0.67*
Sheep (dead weight)†	104.49p	-15.33*
Pigs (live weight)†	68.01p	+0.46*
London daily sugar (raw)	$225.4s	-1.0
London daily sugar (white)	$239.5s	+0.5
Tate and Lyle export price	£225.0	+0.5
Barley (English feed)	£108.5	+1.0
Maize (US No. 3 yellow)	£133.0	
Wheat (US Dark Northern)	£92.0u	
Rubber (spot)♥	65.00p	+0.50
Rubber (May) ♥	50.00p	+0.50
Rubber (June) ♥	69.25p	+0.50
Rubber (KL RSS No 1 Mar)	308.0mw	
Coconut oil (Philippines)§	$520u	
Palm Oil (Malaysian)§	$410.0t	+12.5
Copra (Philippines)§	$365	+5.0
Soyabeans (US)	£181.5w	+1.0
Cotton "A" index	65.50c	-0.25
Wooltops (64s Super)	010p	+10

£ a tonne unless otherwise stated. p-pence/kg c-cents/lb. r-ringgit/kg. w-May. u-Apr/May x-May/Sep. y-Apr. t-Jun s-May/Jun.†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	885	878	893 875
Jly	904	892	011 889
Sep	910	010	927 908
Dec	937	933	949 931
Mar	960	954	972 953
May	977	973	988 976
Jul	996	992	1005 996

Turnover: 4753 (2291) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for April 19 : 1201.16 (1194.19) .10 day average for April 20 : 1179.72 (1176.15)

COFFEE £/tonne

	Close	Previous	High/Low
May	1101	1085	1102 1090
Jly	1120	1109	1120 1100
Sep	1139	1128	1140 1128
Nov	1160	1147	1162 1149
Jan	1178	1173	1175 1170
Mar	1199	1193	1101 1190
May	1230	1213	

Turnover: 2312 (1919) lots of 5 tonnes
ICO indicator prices (US cents per pound) for April 18: Comp. daily 1979 117.04 (117.67); 15 day average 118.86 (118.87).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
May	195.00	194.40	196.00 193.00
Aug	195.80	194.40	196.00 193.20
Oct	196.20	194.50	196.60 193.60
Dec	196.20	193.00	
Mar	197.20	196.00	198.80 195.00
May	198.00	197.40	

White	Close	Previous	High/Low
Aug	238.00	236.50	238.00 235.50
Oct	237.00	236.00	237.00 236.30
Dec	237.80	236.00	235.50
Mar	240.00	238.50	

Turnover: Raw 5367 (3592)lots of 60 tonnes; White 610 (896).
Paris- White (FFr per tonne): Aug 1353, Oct 1344, Dec 1350, Mar 1360, May 1373, Aug 1386

GAS OIL $/tonne

	Close	Previous	High/Low
May	148.50	154.80	152.70 148.00
Jun	146.25	150.50	149.00 146.00
Jul	145.00	149.50	148.00 144.50
Aug	148.00	147.50	148.00 146.00
Sep	148.75	147.25	149.00 146.75

Turnover: 8288 (8058) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	102.70	103.25	102.90 102.70
Jly	105.10	105.00	100.20 105.05
Sep	101.35	101.25	101.35
Nov	103.20	103.10	103.20
Jan	105.75	105.70	105.75
Mar	107.75	107.65	107.75
May	109.50	109.70	109.00

Barley	Close	Previous	High/Low
May	102.90	103.00	100.00 102.80
Sep	98.10	98.20	98.10
Nov	100.75	100.85	102.00 100.75
Jan	102.00	102.90	102.00
Mar	104.45	104.55	104.45
May	106.65		106.65

Turnover: Wheat 172 (47) , Barley 38 (24) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 250 tonne
Cash	2290-310	2305-15		2300-20		
3 months	2140-60	2140-45		2150-70	2160-80	4,448 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 16,100 tonne
Cash	1205-10	1216-20		1215-7		
3 months	1128-30	1116-7	1140/1125	1130-2	1133-4	50,309 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,250 tonne
Cash	1198-200	1207-9	1195/1192	1194-5		
3 months	1127-8	1131-2	1129/1110	1117-8	1119-20	70,747 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1150-60	1160-70		1145-55		
3 months	1090-100	1095-100		1080-90		17 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	642-5	646-9		639.5-40		
3 months	653-6	657-60		648-51	655-60	673 lots
Lead (£ per tonne)						Ring turnover 6,000 tonne
Cash	333-5	330-1	334	334-5		
3 months	324-5	323-4	328/321	326-7	327-8	11,364 lots
Nickel ($ per tonne)						Ring turnover 2,130 tonne
Cash	16800-50	16300-500	16600/16200	16500-600		
3 months	14800-50	13900-4000	15432/14380	14350-600	14700-800	7,254 lots
Zinc (£ per tonne)						Ring turnover 6,675 tonne
Cash	559-61	552-3		547-9		
3 months	554-4.5	547-8	559/549	544-5	557-8	16,656 lots

POTATOES £/tonne

	Close	Previous	High/Low
May	50.50	90.30	67.00 79.00
Nov	86.50	87.40	86.50 85.50
Feb	94.30	96.80	95.50
Apr	125.50	127.70	127.00 125.20
May	136.00	137.00	

Turnover: 598 (272) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	133.50		
Jun	128.00	128.00	
Aug	127.00	126.50	
Oct	128.00	128.00	128.00

Turnover: 10 (175) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1439.0	1470.0	1456.0 1437.0
Jly	1285.0	1315.0	1300.0 1282.0
Oct	1350.0	1365.0	1360.0 1326.0
Jan	1350.0	1360.0	1350.0 1320.0
Apr	1385.0	1430.0	1390.0 1383.0
Jul	1250.0	1290.0	1250.0
BFI	1493.0	1519.0	1493.0

Turnover: 920 (1082)

JUTE

April/May 1988; c and f Dundee, BTC $545, BWC $535, BTD $475, BWD $465, c and f Antwerp, BTC $510, BWC $500, BWD $445, BTD $456.

COTTON

Liverpool- Spot and shipment sales for the week ending April 15 amounted to 991 tonnes against 512 tonnes in the previous week. Good trading occurred with various styles being sought including African, American, Russian, Chinese, Columbian and Paraguayan.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	456¾-457¼	241¼-241¾
Opening	457¾-458¼	241½-242
Morning fix	458.55	241.185
Afternoon fix	458.90	241.070
Day's high	457¾-458¼	
Day's low	455¾-456¼	

Coins	$ price	£ equivalent
US Eagle	470-475	248-251
Mapleleaf	470-475	248-251
Britannia	470-475	248-251
Krugerrand	456-459	240¾-242¼
1/2 Krug	236-245	124¾-129½
1/4 Krug	118-126	62¼-66½
Angel	469-474	247¾-250¼
1/10 Angel	47-52	24¾-27½
New Sov.	107½-108½	56¾-57½
Old Sov.	107½-109	56¾-57¾
Noble Plat	580½-557	290½-294

Silver fix	p/fine oz	US cts equiv
Spot	339.10	642.00
3 months	345.50	653.20
6 months	352.00	664.50
12 months	367.10	690.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2000	312	248	3	01
2100	100	156	20	158
2300	82	107	72	247
Aluminium (99.5%)	**Calls**		**Puts**	
2000	300	231	3	90
2100	169	152	21	100
2300	74	85	70	251
Copper (Grade A)	**Calls**		**Puts**	
2000	234	207	6	80
2100	115	131	36	162
2300	41	75	112	257

US MARKETS

PRECIOUS METALS closed mixed, light trade selling eased gold and platinum, with light stops being hit in the latter, while light trade short-covering and local buying took silver towards overlying resistance levels, reports Drexel Burnham Lambert. Copper eased on commission house selling, but rallied back on short-covering. Energy futures were weak with trade long-liquidation and technical selling touching off sell stops. Coffee eased on mixed liquidation awaiting first notice day on the May contract. Sugar broke out of its recent range with trade and commission house buying, while cocoa rallied on speculative short-covering following a steady London market. The grains were firm across the board on general short-covering reflecting concern over dry weather in the U.S. growing regions, pork bellies closed mixed, as did hogs as both markets consolidated in quiet trading. Cattle futures firmed in response to stabilizing cash prices.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Apr	458.4	458.4	458.5	457.3
Jun	460.4	461.7	460.7	459.0
Aug	465.1	465.5	465.7	463.6
Oct	470.0	471.5	470.1	468.9
Dec	475.0	476.5	475.5	473.8
Feb	480.1	481.7	479.0	479.0
Apr	485.5	487.2	0	0
Jun	491.1	492.9	0	0
Aug	497.0	498.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Apr	531.7	538.5	533.0	527.5
Jul	535.7	541.8	537.2	531.0
Oct	541.7	547.5	542.5	537.5
Jan	548.2	553.8	546.5	544.5
Apr	554.7	560.2	0	0
Jul	561.7	567.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Apr	645.1	642.2	0	0
May	646.5	644.0	649.0	641.0
Jun	651.0	648.6	651.0	651.0
Jul	655.4	653.0	659.0	650.0
Sep	663.6	661.5	665.5	659.0
Dec	677.2	675.0	679.0	672.0
Jan	681.3	679.1	0	0
Mar	690.6	688.5	693.0	686.5
May	700.3	698.3	705.0	700.5
Jul	710.6	708.7	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Apr	95.10	96.60	95.10	95.10
May	94.90	95.70	96.10	92.75
Jun	92.65	93.30	0	0
Jul	90.40	90.90	91.20	88.60
Sep	87.40	87.90	88.00	86.00
Dec	83.40	183.90	83.80	82.30
Jan	82.70	182.65	0	0
Mar	81.40	181.00	81.50	80.80
May	80.20	779.50	79.50	79.50
Jul	79.45	78.65	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High	Low
May	18.20	18.52	18.40	18.06
Jun	18.32	18.55	18.36	18.17
Jul	18.22	18.44	18.24	18.06
Aug	18.12	18.34	18.14	17.99
Sep	18.02	18.26	18.03	17.92
Nov	17.00	18.12	17.86	17.81
Dec	17.70	18.06	17.00	17.75
Jan	17.67	17.98	17.67	17.67
Feb	17.70	17.99	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High	Low
Jun	48.55	49.27	48.70	48.30
Jul	48.25	48.92	48.35	48.00
Aug	48.70	49.25	48.75	48.40
Sep	49.10	49.85	49.10	49.10
Dec	50.90	51.52	01.00	50.75
Feb	50.50	52.06	50.50	50.50

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
May	1537	1507	1540	1521
Jul	1574	1547	1577	1559
Sep	1600	1575	1603	1589
Dec	1638	1613	1639	1625
Mar	1670	1648	0	0
May	1700	1674	1700	1690
Jul	1726	1699	0	0
Sep	1750	1726	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
May	134.74	136.17	135.74	134.65
Jul	136.66	137.39	137.65	136.55
Sep	138.29	139.00	139.40	138.20
Dec	139.84	145.75	141.00	140.50
Mar	140.83	142.13	141.70	149.70
May	142.89	143.00	142.00	141.00
Jul	142.25	144.13	142.60	141.25
Sep	142.50	145.25	143.00	141.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
May	8.72	8.66	8.73	8.66
Jul	8.79	8.69	8.86	8.64
Oct	8.70	0.70	8.79	8.67
Jan	8.83	8.78	0	0
Mar	8.80	8.75	8.80	8.80
May	8.85	8.81	8.85	8.85
Jul	8.88	8.85	8.88	8.84

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
May	63.10	62.70	63.40	62.75
Jul	59.29	59.62	60.00	59.20
Oct	55.67	55.75	56.20	55.65
Dec	54.51	54.70	55.20	54.51
Mar	55.50	55.70	56.00	55.75
May	56.90	56.65	56.75	56.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
May	171.95	172.00	172.00	171.40
Jul	169.90	169.40	169.40	168.60
Sep	165.90	165.70	166.00	165.60
Nov	160.15	159.70	160.10	159.70
Jan	155.45	155.45	156.50	156.50
Mar	155.00	154.65	0	0
May	155.00	154.65	0	0
Jul	155.00	154.65	0	0
Sep	155.00	154.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 10	Apr 10	mnth ago	yr ago
1733.7	1735.4	1730.5	1585.2

DOW JONES (Base: December 31 1974 = 100)

Spot	129.24	129.55	129.44	122.10
Futures	132.71	133.22	132.44	123.10

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
May	672/0	666/0	672/4	665/0
Jul	682/0	675/6	682/4	674/0
Aug	686/6	679/2	686/2	678/0
Sep	686/0	681/4	688/4	680/0
Nov	696/2	690/4	696/4	689/0
Jan	706/0	698/2	706/0	697/0
Mar	714/0	706/4	714/0	706/0
May	718/4	712/0	718/4	715/0
Jul	719/0	713/6	719/0	719/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
May	21.91	21.63	21.92	21.63
Jul	22.30	22.02	22.31	22.01
Aug	22.50	22.23	22.51	22.21
Sep	22.63	22.35	22.65	22.30
Oct	22.70	22.42	22.75	22.50
Dec	23.04	22.71	23.05	22.73
Jan	23.05	22.67	23.05	22.92
Mar	22.96	22.62	22.95	22.96
May	22.97	22.62	22.95	23.00
Jul	22.97	22.62	22.95	23.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
May	198.6	197.3	198.7	198.7
Jul	199.7	198.1	199.8	197.6
Aug	201.0	199.1	201.0	198.7
Sep	202.2	200.0	202.3	200.0
Oct	203.6	201.1	203.7	201.0
Dec	207.1	204.7	207.5	204.5
Jan	208.0	205.5	208.5	206.0
Mar	211.5	208.7	212.0	208.5
May	213.5	210.5	214.0	210.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
May	205/4	203/6	205/4	203/4
Jul	213/2	211/4	213/4	211/4
Sep	218/6	216/6	218/6	218/6
Dec	227/0	224/4	227/0	224/2
Mar	234/4	232/4	234/4	232/2
May	239/2	239/2	239/2	237/6
Jul	241/4	238/4	241/4	239/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
May	314/2	311/2	314/2	310/4
Jul	323/0	320/6	323/0	320/2
Sep	330/2	328/2	330/6	328/0
Dec	341/4	338/6	341/4	338/4
Mar	346/4	343/4	346/4	343/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Apr	74.82	74.10	74.97	74.40
Jun	70.27	69.85	70.62	70.22
Aug	66.77	66.42	67.10	66.60
Oct	65.82	65.55	66.05	65.60
Dec	66.95	65.80	67.15	66.70
Feb	66.30	66.05	66.62	66.25
Apr	68.00	68.00	68.00	67.75

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Apr	44.70	44.80	44.95	44.50
Jun	49.12	49.20	49.50	48.97
Jul	49.12	48.92	49.50	48.95
Aug	47.20	46.82	47.32	46.92
Oct	43.12	43.00	43.20	42.95
Dec	44.02	43.80	44.20	43.85
Feb	44.30	43.97	44.32	44.80
Apr	41.72	41.65	41.00	41.70

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High	Low
May	52.10	51.65	52.40	51.60
Jul	52.32	52.17	52.80	52.05
Aug	01.12	01.20	01.77	51.00
Feb	60.92	60.05	60.95	60.25
Mar	60.85	59.95	60.85	60.25

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Profit taking hits pound

STERLING fell back from the peaks touched against the dollar and D-Mark on Monday.

Overnight intervention by the US Federal Reserve in New York at around $1.9050 took the steam out of the pound's rise and tempted traders to take profits.

Sterling opened slightly above $1.8900 in London yesterday and at around DM3.1475, compared with DM3.1550 at the previous close.

During the rest of the day the pound showed very little movement, but dealers suggested there had been no change in underlying sentiment, which remained very strong.

Sterling closed at DM3.1475, but the market looks for another early attempt to consolidate above DM3.1500. The British currency is also expected to move back above $1.90, even though it lost 1.15 cents to $1.8935 yesterday.

The pound also fell to Y235.00 from Y236.25; to SFr2.6050 from SFr2.61; and to FFr10.6975 from FFr10.72.

On Bank of England figures sterling's exchange rate index declined 0.1 to 78.6.

Trading in the dollar was also very quiet. The poor US trade figures, published last week, mean there is no reason to buy the dollar at present, but central banks have succeeded in convincing the market they are determined to prevent a sharp fall.

This has created a virtual stalemate, particularly since the move towards the dollar, on concern about the clash between the US and Iran in the Gulf, will only continue if there is an escalation in the conflict.

President Reagan appeared to suggest a cooling of the temperature in the Middle East, when he said he hoped no further attacks on Iran would be necessary.

The dollar rose to DM1.6630 from DM1.6565; to Y124.15 from Y124.00; to SFr1.3755 from SFr1.3705; and to FFr5.65 from FFr5.6275.

According to the Bank of England, the dollar's exchange rate index rose to 92.2 from 92.1.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. March average 1.6766. Exchange rate index 149.1 against 147.7 six months ago.

Trading on the Frankfurt foreign exchange was extremely slow. The dollar closed slightly firmer at DM1.6630, compared with DM1.6615 on Monday, in a market lacking incentive.

The Bundesbank did not intervene, when the dollar was fixed at DM1.6628, compared with DM1.6621 on Monday.

In Paris there was no sign of intervention by the Bank of France at the fixing, when the franc weakened against the D-Mark, in nervous trading, ahead of the first round in the French presidential elections this Sunday.

In Milan the Bank of Italy was reported to have sold a small amount of D-Marks and French francs, as the lira lost ground to both currencies at the fixing.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. March average 127.08. Exchange rate index 245.9 against 222.7 six months ago.

The yen weakened slightly against the dollar, as rising tension in the Middle East led to a covering of short dollar positions.

The dollar rose to Y124.35 at the close in Tokyo, compared with Y123.80 on Monday, but dealers warned the improvement could be short-lived, with Japanese exporters reported to be keen sellers of the dollar to hedge currency risks.

In spite of nervousness surrounding the yen, because of Japan's dependence on Middle East oil, the market does not expect the dollar to rise much above Y124.50.

Good demand was seen for high yielding currencies, such as sterling and the Australian dollar, but the pound finished below its best levels on profit taking.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4422	+2.32	+0.96	±1.5344
Danish Krone	7.85212	7.98879	+1.74	+0.38	±1.5404
German D-Mark	2.05853	2.07559	+0.83	-0.53	±1.0981
French Franc	6.90403	7.05385	+2.17	+0.81	±1.3674
Dutch Guilder	2.31943	2.32823	+0.38	-0.98	±1.5012
Irish Punt	0.768411	0.778210	+1.28	-0.08	±1.6684
Italian Lira	1483.58	1543.96	+4.07	+3.25	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr.19	Latest	Previous Close
£ Spot	[illegible]	1.9000-1.9010
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr.19	Previous
8.30 am	[illegible]	78.5
9.00 am	[illegible]	78.6
10.00 am	[illegible]	78.6
11.00 am	[illegible]	78.5
Noon	[illegible]	78.6
1.00 pm	[illegible]	78.7
2.00 pm	[illegible]	78.7
3.00 pm	[illegible]	78.6
4.00 pm	[illegible]	78.7

CURRENCY RATES

Apr.19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austrian Sch.	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]
Deutsche Mark	[illegible]	[illegible]	[illegible]
Neth. Guilder	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*All SDR rates are for Apr.18

CURRENCY MOVEMENTS

Apr.19	Bank of England Index	Morgan Guaranty Changes %
Sterling	78.6	-14.2
U.S. Dollar	92.2	-14.8
Canadian Dollar	81.1	-5.3
Austrian Schilling	140.2	+10.6
Belgian Franc	100.5	-5.1
Danish Krone	92.7	+1.3
Deutsche Mark	149.1	+22.6
Swiss Franc	176.5	+23.6
Guilder	138.1	+15.3
French Franc	71.4	-13.9
Lira	46.5	-20.0
Yen	245.9	+83.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) *Rates for Apr.18

OTHER CURRENCIES

April 19	£	$
Argentina	10.8280-10.8905	5.7200-5.7500
Australia	2.5275-2.5305	1.3355-1.3365
Brazil	235.75-237.00	124.55-125.15
Finland	7.5275-7.5410	3.9780-3.9800
Greece	249.85-255.25	132.05-134.85
Hong Kong	14.7825-14.8005	7.8110-7.8130
Iran	124.10*	66.70*
Korea(Sth)	1401.55-1414.25	739.90-745.90
Kuwait	0.51670-0.51720	0.27305-0.27315
Luxembourg	65.85-65.95	34.75-34.85
Malaysia	4.8630-4.8750	2.5715-2.5730
Mexico	4300.90-4322.10	2272.00-2282.00
N. Zealand	2.8685-2.8735	1.5155-1.5175
Saudi Ar.	7.0965-7.1025	3.7500-3.7510
Singapore	3.7890-3.7945	2.0015-2.0025
S. Af (Cm)	4.0360-4.0485	2.1350-2.1380
S. Af (Fn)	5.3540-5.4485	2.8070-2.8775
Taiwan	54.20-54.45	28.60-28.70
U.A.E.	6.9500-6.9560	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

April 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8895-1.8968	1.8930-1.8940	0.14-0.11cpm	0.79	0.28-0.23pm	0.54
Canada	2.3345-2.3385	2.3360-2.3370	0.08-0.19cdis	-0.69	0.54-0.67dis	-1.04
Netherlands	3.52½-3.53½	3.52½-3.53½	1⅞-⅞cpm	3.82	3⅛-2⅞pm	3.61
Belgium	65.75-66.00	65.85-65.95	19-1cpm	1.82	39-17pm	1.70
Denmark	12.09¾-12.11	12.10-12.11	1¼-2⅞oredis	-2.17	4½-6⅛dis	-1.08
Ireland	1.1785-1.1825	1.1790-1.1800	0.14-0.24cdis	-1.93	0.25-0.40dis	-1.10
W. Germany	3.14½-3.15	3.14½-3.15	1¼-1pfpm	4.77	3⅞-3pm	4.21
Portugal	256.85-258.25	257.15-258.20	74-125cdis	-4.59	204-352dis	-4.43
Spain	208.50-209.40	208.75-209.25	32-50cdis	-2.35	116-141dis	-2.46
Italy	2336½-2344½	2339½-2340½	1-6lire dis	-1.79	12-19dis	-2.65
Norway	11.63½-11.68	11.65½-11.66½	3⅞-7oredis	-5.53	17-18½dis	-6.11
France	10.68¾-10.71	10.69¾-10.70¾	par-¼cdis	-0.42	⅝-1⅞dis	-0.47
Sweden	11.06½-11.09½	11.07½-11.08½	1½-2⅞oredis	-2.03	4½-4⅞dis	-1.96
Japan	234½-235½	234½-235½	1⅛-⅞ypm	4.15	2⅜-1⅞pm	3.72
Austria	22.10-22.15	22.10-22.15	8⅞-7⅛gropm	4.20	21⅞-19pm	3.68
Switzerland	2.60-2.61	2.60-2.61	1⅜-1cpm	6.05	4⅜-3⅞pm	5.95

Belgian rate is convertible francs. Financial franc 66.20-66.30. Six-month forward dollar 0.55-0.50cpm 12 month 1.18-1.08pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

April 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8895-1.8965	1.8930-1.8940	0.14-0.11cpm	0.79	0.28-0.23pm	0.54
Ireland†	1.6025-1.6055	1.6035-1.6045	0.15-0.25cdis	-1.50	0.30-0.45dis	-0.93
Canada	1.2305-1.2350	1.2330-1.2340	0.14-0.17cdis	-1.51	0.47-0.50dis	-1.57
Netherlands	1.8620-1.8665	1.8645-1.8655	0.53-0.51cpm	3.35	1.52-1.48pm	3.22
Belgium	34.75-34.85	34.75-34.85	5-2cpm	1.21	13-8pm	1.21
Denmark	6.38¾-6.40¾	6.39-6.39½	1.10-1.70oredis	-2.62	3.45-4.05dis	-2.34
W. Germany	1.6600-1.6640	1.6625-1.6635	0.59-0.56pfpm	4.15	1.61-1.56pm	3.81
Portugal	135¼-136¼	136-136¼	40-80cdis	-5.29	125-225dis	-5.15
Spain	110.10-110.45	110.20-110.30	20-30cdis	-2.72	70-80dis	-2.72
Italy	1234-1237¼	1235¾-1236¾	1.80-2.80liredis	-2.23	9.00-11.00dis	-3.23
Norway	6.13¾-6.16½	6.15½-6.16	3.50-3.85oredis	-7.16	9.95-10.35dis	-6.59
France	5.64¾-5.65½	5.64¾-5.65¼	0.40-0.60cdis	-1.06	1.45-1.65dis	-1.10
Sweden	5.84¾-5.85¾	5.84¾-5.85¼	1.20-1.40oredis	-2.67	3.40-3.70dis	-2.43
Japan	124.00-124.45	124.10-124.20	0.38-0.33ypm	3.42	1.02-0.97pm	3.20
Austria	11.66½-11.68¾	11.67½-11.68¼	3.50-2.50gropm	3.08	10.00-8.00pm	3.08
Switzerland	1.3735-1.3770	1.3750-1.3760	0.66-0.61cpm	5.54	1.81-1.76pm	5.19

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.95-35.05.

EURO-CURRENCY INTEREST RATES

April 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9½-8⅞	8¼-8⅛	8⅛-7 15/16	8⅛-7 15/16	8⅛-8	8⅜-8⅛
US Dollar	6⅞-6¾	7-6⅞	7⅛-7	7⅜-7¼	7⅝-7½	7⅞-7¾
Can. Dollar	8⅝-8⅜	8⅝-8⅜	8⅝-8⅜	8¾-8⅝	9⅛-8⅞	9⅜-9⅛
D. Guilder	4-3⅞	4-3⅞	3 15/16-3 13/16	4-3⅞	4⅛-4	4⅜-4¼
Sw. Franc	2⅜-2⅛	2⅜-2⅛	2⅜-2⅛	2⅜-2⅛	2⅝-2⅜	2⅞-2⅝
Deutschmark	3⅜-3¼	3⅜-3¼	3⅜-3¼	3½-3⅜	3⅝-3½	3⅞-3¾
Fr. Franc	7⅞-7⅝	7⅞-7⅝	8-7¾	8⅛-8	8⅜-8⅛	8⅝-8⅜
Italian Lira	10-8	9-8	9⅞-9⅛	10⅞-10⅜	11-10⅝	11⅜-11
B. Fr. (Fin)	6-5⅞	6⅛-5 15/16	6⅛-6	6⅜-6⅛	6½-6⅜	6⅞-6⅝
B. Fr. (Con.)	6⅛-5⅞	6⅛-5⅞	6⅛-5⅞	6⅛-5⅞	6⅜-6	6⅝-6⅜
Yen	3⅞-3⅝	3⅞-3⅝	3 15/16-3 13/16	4⅛-4	4⅜-4¼	4⅝-4½
D. Krone	9⅞-9⅜	9⅞-9⅜	9⅞-9⅜	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞
Asian $Sing.	7-6⅞	7-6⅞	7⅛-7	7¼-7⅛	7½-7⅜	7⅝-7½

Long term Eurodollars: two years 8⅛-8⅛ per cent; three years 8⅜-8⅛ per cent; four years 9-8¾ per cent; five years 9⅛-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

April 19	£	$	DM	Yen	F Fr.	S Fr.	H FL	Lira	C $	B Fr.
£	1	1.894	3.148	235.0	10.70	2.605	3.533	2340.	2.337	65.90
$	0.528	1	1.662	124.1	5.649	1.375	1.865	1235	1.234	34.79
DM	0.318	0.602	1	74.65	3.399	0.828	1.122	743.3	0.742	20.93
YEN	4.256	8.060	13.40	1000.	45.53	11.09	15.03	9957		280.4
F Fr.	0.935	1.770	2.942	219.6	10.	2.436	3.302	2187	2.184	61.59
S Fr.	0.384	0.727	1.208	90.21	4.107	1.	1.356	898.3	0.897	25.30
H FL.	0.283	0.536	0.891	66.52	3.029	0.737	1	662.3	0.661	18.65
Lira	0.427	0.809	1.345	100.4	4.573	1.113	1.510	1000.	0.999	28.16
C $	0.428	0.810	1.347	100.6	4.579	1.115	1.512	1001.	1	28.20
B Fr.	1.517	2.874	4.777	356.6	16.24	3.953	5.361	3551	3.546	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling contracts fall

TRADERS VIEWED sterling interest rate contracts without much enthusiasm on Liffe yesterday.

Volume in short sterling futures was roughly the same as in the usually dominant, but at present very dull, long gilt.

Lack of fresh factors kept attention focused on the foreign exchanges, where the pound fell back from Monday's high levels, but maintained a firm undertone.

Sterling was around DM3.1475 for most of the day, and its failure to consolidate above DM3.15 led to a wave of profit taking in short sterling and long gilt futures.

June three-month sterling deposits opened firm at 91.90, as three-month interbank fell below the present 8 p.c. UK bank base rate level on the cash market.

As sterling failed to make renewed headway, and three-month cash rose to hover around 8 p.c., traders decided it was time to take profits in futures.

June short sterling retreated to a low of 91.82, and closed only slightly higher at 91.83, compared with 91.86 on Monday.

Volume in three-month sterling and long gilt futures was around 13,000 in each contract.

June gilts opened little changed at 122-29, but this was near the day's high of 122-30. With dealers continuing to see a lack of potential at the present level, the contract slipped down to a low of 122-18, before closing at 122-19, against the previous settlement of 122-30.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 2023 Puts 1048. Previous day's open int. Calls 37638 Puts 27647

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 100 Puts 41. Previous day's open int. Calls 2989 Puts 1047

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	May	Puts-settlements Apr	May
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 55 Puts 159

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements			Puts-settlements		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 235 Puts 191

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 62 Puts 0. Previous day's open int. Calls 3094 Puts 2760

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Sep	Puts-settlements Jun	Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 963 Puts 223. Previous day's open int. Calls 5950 Puts 2932

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int. Calls 379,994 Puts 399,493. Previous day's volume: Calls 25,746 Puts 17,003

LONDON SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls N/A Puts N/A. Previous day's open int. Calls 632 Puts 642

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT	Close	High	Low	Prev.
Jun	122-19	122-30	122-18	122-30
Sep	[illegible]	[illegible]	[illegible]	[illegible]

Estimated Volume [illegible]. Previous day's open int. [illegible]

7-10 YEAR 9% NOTIONAL GILT	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

THREE MONTH STERLING	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

THREE MONTH EURODOLLAR	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BONDS 8%	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £	Close	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

POUND-$ (FOREIGN EXCHANGE) Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8935	[illegible]	[illegible]	[illegible]	[illegible]

IMM-STERLING $ per £	Latest	High	Low	Prev.
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JAPANESE YEN (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Sign of caution

IT WAS a rather quiet day on the London money market, when dealers spent most of the time watching sterling on the foreign exchanges.

Expectations of lower UK bank base rates made discount houses reluctant to sell bills outright, but the authorities attitude seemed to indicate caution.

The terms of the repurchase agreements offered on bills by the Bank of England remained rather long, and therefore relatively unattractive to the market.

UK clearing bank base lending rate 8 per cent from April 11

The rate of 7 15/16 p.c. for about three weeks will also look expensive if there is a sudden cut in interest rates this week.

Quotes as high as 10½ p.c. for overnight money were reported in interbank trading, indicating that the market is prepared to pay the short term price for its optimism on a rate cut.

Three-month interbank closed unchanged at 8-7⅞ p.c., but had a firmer tone, opening at 7⅞-7¾ p.c., and rising to 8⅛-7⅞ p.c. in after hours trading, after sterling failed to maintain overnight levels above $1.90 and DM3.15.

The Bank of England initially forecast a money market shortage of around £800m, but revised this to £1,150m at noon, and provided total help on the day of £1,117m.

Before lunch the authorities bought £189m bills for resale to the market on May 12, at 7⅞ p.c.

In the afternoon the Bank of England purchased another £778m bills, including £562m outright, through £425m bank bills in band 1 at 7¾ p.c., and £137m bank bills in band 2 at 7¾ p.c.

The total also included £216m bills, bought for resale to the market on May 12, at 7⅞ p.c.

Late assistance of around £150m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £228m, with Exchequer transactions absorbing £620m, and bank balances below target £30m.

In Frankfurt call money eased to 3.20 p.c. from 3.225 p.c., as the money market remained very liquid. The Bundesbank set a tender for a 35-day securities repurchase agreement tender, at a fixed rate of 3.25 p.c.

This will be required, because DM14.6bn flows out of the market today.

In Paris the Bank of France left its money market intervention rate at 7¼ p.c., when supplying funds via a securities repurchase tender.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 19) 3 months US dollars		6 months US Dollars	
bid 7[illegible]	offer 7[illegible]	bid 7[illegible]	offer 7[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed.funds	[illegible]	Three month	[illegible]
Fed.funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]
		Three year	[illegible]
		Four year	[illegible]
		Five year	[illegible]
		Seven year	[illegible]
		10 year	[illegible]
		30 year	[illegible]

April 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Apr.19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug 88 Vol	Aug 88 Last	Nov 88 Vol	Nov 88 Last	Stock
GOLD C	$ 500	-	-	1	7 50	26	14.50	$ 457.20
GOLD P	$ 460	30	9	26	14.50	-	-	$ 457.20

Series		May. 88 Vol	May. 88 Last	Jan. 88 Vol	Jan. 88 Last	Jul. 88 Vol	Jul. 88 Last	Stock
EOE Index C	Fl. 195	34	15.10 B	-	-	-	-	Fl. 211.92
EOE Index C	Fl. 200	248	11.90	3	14.50	-	-	Fl. 211.92
EOE Index C	Fl. 205	59	8.50	3	11 B	-	-	Fl. 211 92
EOE Index C	Fl. 210	153	6.30	15	9	-	-	Fl. 211.92
EOE Index C	Fl. 215	141	4.50	8	6.50 B	-	-	Fl. 211.92
EOE Index C	Fl. 220	109	2.80	8	4 B	1	6.50	Fl. 211.92
EOE Index P	Fl. 185	46	0.80	-	-	-	-	Fl. 211 92
EOE Index P	Fl. 190	85	1.70	3	4 A	-	-	Fl. 211.92
EOE Index P	Fl. 195	74	3	17	5.50 A	-	-	Fl. 211.92
EOE Index P	Fl. 200	101	4.40	40	7 A	21	9	Fl. 211.92
EOE Index P	Fl. 205	85	5.50	12	9.50 A	8	11	Fl. 211.92
EOE Index P	Fl. 210	125	8.50	8	12 A	5	14.50	Fl. 211.92
£/Fl C	Fl. 350	31	3.70	32	4.40	-	-	Fl. 353.33
$/Fl C	Fl. 190	75	0.75	23	1.50	-	-	Fl. 186.57
$/Fl P	Fl. 175	-	-	60	0.45	-	-	Fl. 186.57
$/Fl P	Fl. 180	-	-	473	1.20	-	-	Fl. 186.57

Series		Jul. 88 Vol	Jul. 88 Last	Oct. 88 Vol	Oct. 88 Last	Jan. 89 Vol	Jan. 89 Last	Stock
ABN C	Fl. 40	189	1.40	82	2.20	101	3	Fl. 40.40
ABN P	Fl. 40	25	2.10	14	3.60	-	-	Fl. 40.40
AEGON C	Fl. 85	35	0.80	-	-	-	-	Fl. 75.80
AEGON P	Fl. 70	31	2.30	-	-	-	-	Fl. 75.80
AHOLD C	Fl. 70	8	5.50	64	6.60	-	-	Fl. 73
AHOLD P	Fl. 70	28	2.60	-	-	-	-	Fl. 73
AKZO C	Fl. 110	882	4.50 B	51	8.40	2	9.40 B	Fl. 108.50
AKZO P	Fl. 110	202	10.40 A	10	13 A	1	13.50	Fl. 108.30
AMEV C	Fl. 50	55	3.50	286	4.50	-	-	Fl. 50.20
AMEV P	Fl. 50	232	3.80	55	5.20 A	-	-	Fl. 50.20
AMRO C	Fl. 70	199	1.90	7	2.50 B	2	3.30	Fl. 68.30
AMRO P	Fl. 65	110	2.40	-	-	-	-	Fl. 68.30
BUHRMANN-T C	Fl. 45	207	2.80	13	4.20	-	-	Fl. 46.10
BUHRMANN-T P	Fl. 45	56	3	12	4.20	-	-	Fl. 46.10
ELSEVIER C	Fl. 50	122	3.30	91	4.80	-	-	Fl. 51.50
ELSEVIER P	Fl. 50	132	2.60	13	4.50	-	-	Fl. 51.50
GIST-BROC. C	Fl. 35	418	2.70	20	3.80	-	-	Fl. 35.10
GIST-BROC. P	Fl. 35	353	3.20	-	-	1	4.70 B	Fl. 35.10
HEINEKEN C	Fl. 130	229	6.50	2	8.80	-	-	Fl. 130
HOOGOVENS C	Fl. 40	838	3.50	216	4.50	37	4.50	Fl. 39.10
HOOGOVENS P	Fl. 35	205	1.60	11	2.80	-	-	Fl. 39.10
KLM C	Fl. 35	398	2.80	26	3.20	4	5	Fl. 35.40
KLM P	Fl. 35	55	2.10	87	3.80	4	4	Fl. 35.40
KNP C	Fl. 136.40	31	4.10	10	6.30	-	-	Fl. 128.50
KNP P	Fl. 118.20	30	2	-	-	-	-	Fl. 128.50
KNP C	Fl. 130	116	6.70	29	9.30	-	-	Fl. 128.50
KNP P	Fl. 130	50	6.30	34	8	-	-	Fl. 128.50
NEDLLOYD C	Fl. 260	103	14.50	-	-	6	26.50	Fl. 242.50
NEDLLOYD P	Fl. 200	290	7	5	9.50	-	-	Fl. 242.50
NAT.NED. C	Fl. 60	231	2.60	276	3.20	6	4.60	Fl. 59.70
NAT.NED. P	Fl. 60	1	3.70	111	5.30	-	-	Fl. 59.70
PHILIPS C	Fl. 30	364	1.30	142	2.40	24	2.90	Fl. 28.80
PHILIPS P	Fl. 27.50	395	1.30	12	1.80	-	-	Fl. 28.80
ROYAL DUTCH C	Fl. 240	619	3.40	90	9.50	18	7.50	Fl. 231.10
ROYAL DUTCH P	Fl. 220	499	6.40	36	12.50	4	14.50	Fl. 231.10
ROBECO P	Fl. 85	100	2.70	-	-	-	-	Fl. 91.90
UNILEVER C	Fl. 120	289	2.50	38	4.80	8	7.50	Fl. 111.20
UNILEVER P	Fl. 110	69	6.50	8	8	-	-	Fl. 111.20

TOTAL VOLUME IN CONTRACTS : 24,009

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8	Citibank NA	8	Nat. Bk. of Kuwait	8
Adam & Company	8	City Merchants Bank	8	NatWestminster	8
AAB - Allied Arab Bk	8	Clydesdale Bank	8	Northern Bank Ltd	8
Allied Irish Bank	8	Comm. Bk. N.East	8	Norwich Gen. Trust	8
Henry Ansbacher	8	Co-operative Bank	*8	PK Finans. Intl(UK)	9
ANZ Banking Group	8	Cyprus Popular Bk	8	Provincial Bank PLC	9½
Associates Cap Corp	10	Dunbar Bank PLC	8	R. Raphael & Sons	8
Authority Bank	8	Duncan Lawrie	8	Roxburghe G'rantee	9½
B & C Merchant Bank	8	Equatorial Bank plc	8½	Royal Bk of Scotland	8
Banco de Bilbao	8	Exeter Trust Ltd	8½	Royal Trust Bank	8
Bank Hapoalim	8	Financial & Gen. Sec	8	Smith & Williamson Secs.	8
Bank Leumi (UK)	8	First Nat. Sec. Ltd.	9½	Standard Chartered	8
Bank Credit & Comm	8	● Robert Fleming & Co.	8	TSB	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	9	UDT Mortgage Exp	§9¾
Bank of Ireland	8	Girobank	8	United Bk of Kuwait	8
Bank of India	8	Grindlays Bank	8	United Mizrahi Bank	8
Bank of Scotland	8	● Guinness Mahon	8	Unity Trust Bank Plc	8
Banque Belge Ltd	8	HFC Bank PLC	8	Western Trust	8
Barclays Bank	8	● Hambros Bank	8	Westpac Bank Corp.	8
Benchmark Bank PLC	8	Heritable & Gen Inv Bk	8	Whiteaway Laidlaw	8½
Berliner Bank AG	8	● Hill Samuel	§8	Yorkshire Bank	8
Brit. Bk of Mid East	8	C. Hoare & Co.	8		
● Brown Shipley	8	Hongkong & Shangh	8		
Business Mtge Tst	8½	Lloyds Bank	8		
CL Bank Nederland	8	Meghraj Bank Ltd	8		
Central Capital	8	Midland Bank	8		
● Charterhouse Bank	8	Mount Bnkg Corp.	8		

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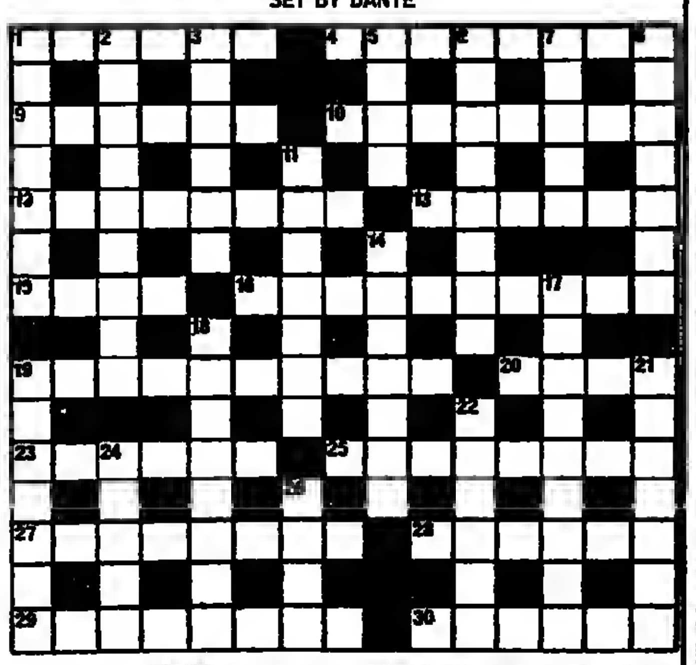
FT CROSSWORD No.6,610
SET BY DANTE



ACROSS

1 Funny story about eastern native (6)
4 Prefers a French word in the prose translation (8)
9 Irregular forces decoration (6)
10 In turn I've become idle (8)
12 It comes in to fight on the other side (8)
13 Metal of little value in America (6)
15 It may flow and sound like the sea (4)
16 Spot cash the bookmakers must be prepared to pay out (5,5)
19 Community payment (10)
20 Eternally the dream of the French revolutionary (4)
23 Ceremonial trial rearranged about the middle of January (6)
25 I'm married and somewhat the worse for wear (8)
27 Two cutlets and be quick about it! (4,4)
28 One takes no end of cash in here, finishing with nothing (6)
29 A late drink to go to one's head? (8)
30 Tick on a slate (6)

DOWN

1 Not doing well, so removed from the bench (3,4)
2 Turn over in bed? (5,2,2)
3 Tax cut (6)
5 It may be hard to protect the cheese (4)
6 Male showing off raincoat to his doctor (8)
7 Magician's spell (5)
8 Poet is reserved about French female (7)
11 Astronomer to employ loveless contrivance (7)
14 Possibly saving firm in money difficulty (7)
17 Always thoughtless? Doesn't matter (5,4)
18 Clear advice to anyone tending a dirty knife-wound (5-3)
19 A contest between two Poles and an Arab (7)
21 New cadet or old soldier (7)
22 Exchange of charity? (6)
24 Hothead in Chinese secret society gets the lash (5)
26 Chemical gives rise to difficulties (4)

Solution to Puzzle No.6,609

```
THATCHER EDIBLE
I M R P  E A A
TEAHOUSE STALAG
I R S I E E S L
ABYSS LOWERCASE
N L  O E M  O
 FLAGON RAINBOW
D I A    N A L
RESISTS CREASE
I  H W A  R  R
LEGIONARY SUEDE
L I L P E M L D
INVADE INFERIOR
N E E  N L E A
GENERA PETTIFOG
```

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Int'l Income	128.8	136.7xd	-1.6	3.25
Int'l Accum	197.6	209.7xd	-2.5	3.25
UK General Acc	37.9	40.4	-0.1	3.38
UK General Inc	36.5	38.9	-0.1	3.38
American	26.8	28.6	-	2.13
European	34.9	37.2	+0.2	1.26
Japan	58.1	62.0	-0.2	0.03
Technology	34.3	36.6xd	-0.1	2.29
Performance Trusts				
Far East Perf	18.8	20.0	-	2.00
High Inc Perf Inc	24.1	25.7	-	5.36
High Inc Perf Acc	24.6	26.2	-	5.36
W'wide Tact Perf	27.8	29.7xd	-0.1	2.72

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	209.7	223.3	-0.4	2.70
Columbus (US)	123.6	132.2	-0.4	1.94
Marco Polo (Pac)	216.6	231.7	-0.1	0.20
Da Vinci (Eur)	219.4	234.7	+0.7	1.83
Drake (Wwd)	52.6	55.7	+0.1	2.26

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	203.2	216.2	-0.9	2.65
UK Sm'r Cos Equity	208.8	221.3	-0.2	2.02
UK Secs Sts	61.5	65.5	+0.1	2.86
Income Plus	52.9	56.3	-	5.16
European	159.5	169.7	-0.1	1.18
Far Eastern	53.0	56.4	-	1.92
Japanese	56.0	59.6	-0.3	-
North American	107.3	114.2	-0.3	1.53
Int'l Growth	107.1	114.0	-0.1	0.82
Worldwide Venture	52.6	56.2	-0.2	3.14

Scottish Provident Inv. Mgt. Ltd

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1987: 101.8 and for February 1988: 103.7.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
19⅞	11	♦Staley Continental‡	19	.....	80c	–	2.3
33½	21⅞	Sun Co. Inc. $1	31⅛	+⅛	$3.00	–	3.2
28⅞	23⅝	TRW Inc. 62½c	23⅝	–⅛	$1.60	–	3.7
25¼	21¼	Tenneco $5	22⅛	.....	$3.04	–	7.4
26½	19½	Texaco $6.25	25⅞	–⅞	$3.00	–	6.4
52⅝	43¼	Time Inc. $1	45⅝	–⅛	$1.00	–	1.2
20⅝	13⅞	Transamerica $1	16½	–⅛	$1.64	–	6.1
10¼	754p	Transworld Corp $5	930p	–37	20c	–	1.2
20¼	15	TRINOVA Corp.	16¼	–⅛	56c	–	1.0
19	15⅛	♦USX $1	17⅞	+⅞	$1.20	–	3.8
23	17⅝	Utd. Technologies	20⅝	.....	$1.40	–	3.7
31¼	26¼	US West‡	27½	–¼	$3.52	–	7.1
21⅛	16⅞	Waste Management $1	16⅞	.....	36c	–	1.2
16⅛	12⅞	Whirlpool $1	13¼	–⅛	–	–	–
30⅛	18¼	♦Woolworth $3½	23½	+1¼	$1.32	–	2.5

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp‡	219p	+2	–	–	–
32p	16½p	♦Abbot Energy Corp.	25p	.....	–	–	–
14¼	990p	♦Amer. Barrick Res.	11⅛	+⅛	–	–	–
10p	3½p	American Lightwave	8p	+1	–	–	–
47p	11½p	♦Armeno	21½p	.....	–	–	–
76p	48p	Augmitto Expln.	48p	.....	–	–	–
12¼	10¼	Bk Montreal‡	11¼	.....	$2.00	–	7.8
595p	528p	Bk. Nova Scot.‡	551p	+9	72c	–	3.0
17½	15¼	BCE‡	16⅝	–⅛	$2.44	–	6.5
716p	591p	♦Bow Valley‡	660p	+3	♦40c	–	2.6
12¼	10½	♦Brascan‡	11⅛	+⅛	88c	–	3.5
328p	189p	♦Breakwater Res.	235p	–2	10c	–	1.9
953p	801p	Can Imp Bank‡	925p	+8	$1.16	–	5.5
10¼	841p	Can. Pacific‡	10¼	+⅛	60c	–	2.6
♦1½	40	Do. 4pc Deb £100	40	.....	4%	–	10.0
476p	384p	Central Capital "A"‡	417p	–12	–	–	–
886p	288p	Cons. TVX Min.	349p	+3	–	–	–
175p	76p	Danbus Res.	171p	–1	–	–	–
536½p	430p	Derlan Inds.	465p	+2	11.75c	–	1.1
14¼	984p	♦Echo Bay Mines	11⅛	+⅛	20c	–	0.8
40p	26p	Energex Minerals	33p	–2	–	–	–
107p	83p	Euro-Asia Capital Ltd.	90p	–2	–	–	–
375p	222p	♦Galactic Resources	299p	–3	–	–	–
109p	101p	♦Geodome Res.	109p	+6	–	–	–
394p	237p	Granges Expln‡	273p	–7	–	–	–
16½p	9p	♦Gt Pacific Res.	13p	–1	–	–	–
899p	652p	♦Gulf Canada‡	828p	+8	52c	–	2.8
10¼	816p	♦Hawker Sid Can‡	973p	–13	$1.08	–	4.9
588p	344p	Henlys Group	406p	–14	–	–	–
957p	785p	♦Hudson's Bay‡	845p	+9	60c	–	3.1
27⅛	22⅞	♦Imperial Oil‡	26⅞	+⅛	$1.80	–	3.0
13¼	10½	Inco‡	13¼	+1⅛	US$0.40	–	1.4
451p	312p	♦Intl. Corona Res.	428p	+8	–	–	–
718p	462p	♦Inland Nat. Gas $1	557p	+8	60c	–	4.8
577p	390p	♦Lacana Mining Corp‡	500p	+2	015c	–	1.3
250p	150p	Madeleine Mines	219p	+4	–	–	–
181p	126p	♦Muscocho Explx	154p	+4	–	–	–
187p	125p	♦Nat Business Syst.‡	144p	+5	–	–	–
237p	110p	♦Nevada Goldfields	236p	+4	–	–	–
12	787p	♦Rio Algom	990p	–6	$1.30	–	6.0
13½	11¼	Royal Bk. Can.‡	12⅛	–⅛	$2.08	–	7.6
[illegible]	177p	♦Royex Gold Mining‡	[illegible]	+4	–	–	–
32½	26⅞	Seagram‡	21[illegible]	.....	US$1.10	–	2.2
36[illegible]	255p	♦Sonora Gold Corp‡	[illegible]	+10	–	–	–
[illegible]	18p	Spiral Eng.	[illegible]	.....	–	–	–
[illegible]	35p	Tara Pare Tech. Corp.‡	[illegible]	–1	–	–	–
13	11¼	Toronto-Dom. Bk‡	12⅛	–⅛	92c	–	3.3
[illegible]	21½p	♦Trans Atlantic Res‡	21½p	.....	–	–	–
6[illegible]	566p	♦Trans Can Pipe	64[illegible]	+9	68c	–	4.6
20[illegible]	127p	Varity Corp‡	[illegible]	–5	8–	–	–

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
181	131	ANZ $A1	169	+1	021c	3.1	4.9	6.7
234	200	Allied Irish	218	.....	♦061.6%	3.0	6.3	7.2
£12⅛	£10⅞	Algemene Fl.10	£11½	+⅛	027%	4	6.9	♦
70	58	Anglo Irish	66	.....	♦019.69%	1.2	7.3	17.5
70½	64	Ansbacher (H.) 1p	67	.....	2.0	–	4.0	–
£34¼	£24⅛	Banco de Bilbao S.A.	£30¾	+⅛	♦00.1%	3.1	3.0	9.1
£32½	£27¼	Banco de Santander	£29⅛	+⅛	022%	2.4	1.8	23.1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

65	45	Lynx Tech. 5p	45		b-		3.2
290	106	N.L. Laboratories 1p	222	-8			–
133	89	Meditrace 10p	126				–
38	16	Norton Group 5p	22				–
59	36	Omega Gold IR 2p	56				–
48	33	Propeller 1p	43		W-		13.4
31	13	Publishing Hldgs. 5p	[illegible]	+1			9.0
[illegible]	70	Seacon Hldgs.	[illegible]				●
[illegible]	19	Stats Hldgs. 5p	[illegible]				48.6
[illegible]	3	Sunyard Studios 1p	5½				18.5
[illegible]	200	Takare	[illegible]	+2	b1.0 8.1 0.6		23.3
[illegible]	41	Theme Holdings	[illegible]		1.1 ● 3.3		●
[illegible]	26	Tomorrows Leisure 20p	[illegible]				10.4
[illegible]	120	UPL Group 10p	[illegible]		L2.41 2.8 2.7		18.0
[illegible]	120	Unit Group	[illegible]	+2	R4.6 2.5 4.3		(10.2)
[illegible]	85	Video Tape Recording 5p	[illegible]		12.3 2.3 3.3		13.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ∮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▌ No par value

B.Fr. Belgian Francs. Fr. French Francs ■■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	78	
Craig & Rose £1 γ	686	
Finlay Pkg. 5p γ	78	
Holt (Jos) 25p γ	£11¾	+⅛

IRISH

Fund 11¼% 1988	£100¹⁄₃₂	-⅛
Nat. 9¾% 84/89	£101⅞	
Fin. 13% 97/02	£118⅝	
Arnotts γ	300	
CPI Hldgs. γ	80	
Carrol Inds. γ	152	
Hall (R. & H.) γ	110½xd	
Helton Hldgs. γ	39	
Irish Ropes γ	128xd	
Unidare γ	350	-10

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	40
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons.	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	38
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	10
Nat West Bk	60
P & O Dfd	52
Plessey	16
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	58
Burmah Oil	45
Charterhall	6
Premier	8
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Mar 21	Apl 7	Apl 8	Apl 18
Apl 11	Apl 21	Apl 22	May 3
Apl 25	Mar 5	Mar 6	Mar 16

*New time dealings may take place from 9.00 am two business days earlier.

Special situation stocks boost thinly-traded equities while Gilt-edged shade easier

A BATCH of speculative features kept the UK stock markets on the boil yesterday. Although turnover across the broad range of equities remained light, the market closed an uncertain session in good form, helped along by a good start on Wall Street.

The tone was set early by a burst of activity among the major electrical industry stocks, as several leading Londnn brokerage houses recommended the sector leaders. US buying of Racal Electronics, favoured for its cellular telephone interests, advanced strongly.

Reckitt & Colman attracted attention, with the market suspecting that the group's list of well-established consumer brand names could place it in the same category as Rowntree.

The renewed search for special situation stocks, noticeable in the marketplace towards the close of trading on Friday, brought both Courtaulds and Burmah back into the limelight.

The activity in these major names helped prime a rally in the market whicb had found difficulty in sustaining an initial gain of four FT-SE points. Genuine investment support was thin, however, and it was not until Wall Street opened higher that Londnn strengthened its nwn advance.

The FT-SE Index closed 11.1 up at 1798.9, the day's high point, with the 1800 mark once again in the market's sights.Seaq volume totalled 419.4m sbares, was boosted by the rash of special interest stocks.

The Bank of England's actions in the money market appeared to cool some of the excitement over domestic interest rates, as did the calmer tona in currencies. Oil prices slackened as developments in the Gulf were awaited with cantion.

Government bonds saw little retail interest but continued to trade nervously as dealers kept an apprehensive eye on the sterling/dollar and sterling/DM rate. Short dated Gilts gave up ¼ to ⅛, while at the longer end, falls ranged to ¾ or so.

Index-linked (I-L) Gilts were wanted again, with demand sufficient to take out the remainder of the £250m of Treasury 2pc '92, and some more of the £100m Treasury 2½pc 2011, leaving the authorities with the rest of the '11 and the whole of the £100m of Treasury 2020 stock in hand.

Kleinwort Grieveson, drawing attentinn to the persistent demand for I-L issues, said that, "Index-linked could hold investors' interest for longer than usual this year", because of perceptions that inflation may edge higher.

Racal Electronics charged higher amid a rapidly increasing volume which eventually totalled 12m shares. Marketmakers and analysts were unable to offer a precise reason for the activity in the shares, which suffered last week as a large seller placed stock round the market.

Warburg Secnrities was the major player, being a strong in-house buyer, but several other houses later went on the buying tack, despite talk that James Capel had trimmed its profits forecast to £136m. The company confirmed the award of a minor defence contract in Brazil but denied rumours of a forthcoming presentation to US investors. Racal shares closed 12 up at the day's highest of 235p.

Plessey, another electronic leader, also figurely prominently. A positive signal from Merrill Lynch, the US investment house, highlighting the UK group's strong order book position, initiated the bnying rusb on the shares. Merrill forecasts profits of £176m in 1987/88 rising to £206m for the following year, and is genarally favourable of the electronic sector, particularly the prospects for Vodaphone.

Turnover in Plessey expanded to nearly 6m shares, being aided by an above-average traded options business. Hoare Govett also bid aggressively for stock which, after mid-afternoon hesitancy, went forward again late to close 8 higher at 161p.

Thorn EMI's latest step in its overseae expansion drive intrigued analysts. The UK group intends to acquire control of French group Holophane, a supplier of pressed glass products to the automotive industry, and of the minority stake in its Europhane subsidiary, reputedly the second largest producer of light fittings in France, but has yet to announce the terms.

The possibility that a share placing cnuld be needed to finance the acquisition failed to dampen investors' enthusiasm for the shares of Thorn EMI and the close was 8 higher at 615p.

Dubilier returned from a brief listing suspension following the agreed bid from Peek Holdings, and provided the meat for the market in secondary Electricals. Dubilier were raised 35 to 211p on the the share exchange terms, which left Peek 0 lower at 00p, and investors immediately began searching for other possible takeover targets. Leading beneficiaries were Crystalate, up 15 at 170p, after 179p, Bowthorpe Holdings, 7 higher at 175p, and Cambridge Electronic, 11 better at 241p.

Reckitt and Colman came to lifa, moving ahead strongly to close 41 higher at 855p in a volume of 5.1m shares. With the Rowntree share raid still fresh in mind, the sudden flurry in Reckitt prompted market speculation.

Several investment houses have taken a bullish stance on Reckitt after the recent preliminary figures and dealers cited this as the main reason for the advance in the share price. UBS Phillips and Drew, denied talk that they had put a potential break up value on Reckitt of £14 per share in the event of a takeover bid, but pointed out that they believe the group rates a premium because of its strong brand names.

Burmah shares attracted substantial demand from the US in the wake of tha recent "road show" in New York which highlighted the attractions of the Castrol lubricants division. A team of UK analysts, visiting the US shortly, can be expected to drive home the message.

London buying of Burmah has been led by Kleinwort Grieveson which believes Burmah is "worth £6 a share on fundamentals alone". The shares closed 19 up at 566p.

Oil shares quietened down, as tha continuing tension in the Gulf was balanced by the slight easing in crude prices. British Petroleum partly-paid, still regarded as cheap by comparison with the US oil majors, held on to their recent gain, closing little changed on the session at 79½p, with the fully-paid a touch higher at 279p.

British Gas, at 180p, edged higher as the deadline for final payment on the shares was passed at 3.00 pm yesterday.

The speculative issues also cooled off, although traders stressed that the small energy groups remain firmly in the takeover frame.

Turnover in the Banking sector was reasonably high, all the major clearers registering trade in excess of 1m shares with some showing volumes of over 2m. Price movements, hnwever, although on the plus side, were confined to a couple of pence. Merchant Banks were rather mnre sensitive to demand, the likes of Morgan Grenfell rising 6 to 262p and Kleinwort gaining a similar amount to 382p. Hambros put on 9 to 282p and Warburg rose 8 to 319p, the latter helped by a broker's recommendation.

First National Finance attracted a sizeable buying order and rose 12 to 252p.

Steel Burrill Jones responded to the acquisition of Ashford Management and the board appointments with a gain of 11 at 186p.

Freeman Group, which provides specialist distribution and contracting services for the building industry, made a bright debut in the Unlisted Securities Market; the shares, placed at 210p, opened at 218p and moved up to 221p.

Late intra-market trade, mainly connected with the covering of short positions, pushed Vaux up 16 to 556p and Allied-Lyons 8 higher to 405p; the activity in the latter naturally gave rise to revived rumours of Bond Corporation buying.

Business in the Building sector remained at a low ebb, but Taylor Woodrow were a feature, the shares rising 20 to 445p on news of annual profits some £10m in excess of market estimates.

ICI continued to shrugg aside currency factors and closed 9 higher at 983p helped by favourable opening advices on Wall Street. Laporte, boosted by US acquisition news, rose 7 to 392p; the annual results are due today.

Marks and Spencer were one of the most actively traded stocks (some 5.7m shares changed hands) but most of the business represented a large line of stock which came on offer and the shares settled with a fall of 8 at 182p.

Laura Ashley's preliminary figures (pre-tax profits of £23m compared with £22.4m) pleased the market and left the shares a few pence better at 117p. J. Menzies, however, continued to drift lower after the annual results, closing 7 cheaper at 379p; in the wake of the figures County NatWest WoodMac are recommending a switch out of Menzies into W.H. Smith.

GEC were not overshadowed by the increased activity in shares of its main competitors. Volume built up steadily throughout the session to reach 7.7m shares with the priceconsistently improving to end 3 higher at 155p. BICC responded to the chairman's remarks of "the positive performance trends in the company's major market places have continued from 1987 to 1988" and gained 5 more to 330p. STC were another leader to progress further, gaining 5 to 247p. AMS rose 6 to 42p after a being visit by Warburg Securities on Monday while Farnell Electronics advanced 8 to 179p in front of next week's annual results: Morgan Grenfell is predicting profits of £25.5m compared with £23.4m last year. A County NatWest WoodMac recommendation generated buying interest in Logica, up 8 at 287p.

Among the current takeover favourites in the Engineering sector, Delta Group continued to make headway at 307p, up 19, in the wake of RTZ bid suggestions, while Matthew Hall advanced further to close 8 higher at 164p. Ash and Lacy, a good market of late following the figures, met with a revival of demand and put on 20 to 685p. Bumper annual results prompted marked strength in Atlas Converting Equipment which closed a similar amount dearer at 212p. Hawker Siddeley, scheduled to reveal preliminary figures today, trended higher at 460p; analysts are looking for pre-tax profits in the region of £163m.

Bid speculation surrounding Confectionery shares cooled for the mnment and the like of Rowntree and Cadbury Schweppes encountered light profit-taking. Rowntree slipped back to 728p before picking up late in the session to close virtually unchanged at 738p. Cadbury Schweppes settled 3 off at 285p. Ranks Hovis McDougall shaded to 329p awaiting possible bid developments; Goodman Fielder of Australia is now free to launch a bid for the company following the expiry of its holding statement. Tate and Lyle, in which Hillsdown Holdings has built a stake of around 3½ per cent, moved up 18 to 774p.

A slightly easier trend in sterling and a marked improvement on Wall Street in the early dealings yesterday prompted a modest improvement in the International stocks bnt failed to generate much in the way nf trading activity.

Fisons improved 9½ to 244½p amid talk of an investment recommendation in the offing; some 2.1m shares changed hands. London International revived with a gain of 12 at 276p, while Smith and Nephew, responding to favourable press mention, put 5½ to 130p.

Morgan Crucible, reflecting further consideration of the preliminary figures, moved ahead strongly to close 13 higher at 280p. Reuters B edged up 8 to 507p awaiting details of last night's meeting with the Society of Investment Analysts. News of the sale of the military sighting and thermal imaging businesses to GEC for £22m kept Rank Organisation in the limelight with the shares moving up sharply to close 17 to the good at 713p.

USM-listed Spice tumbled on the warning of sharply lower first-half profits, due to be reported on June 26, and closed 32 down at 126p. The company blamed the mild winter for the trading setback but still intends to maintain the interim dividend payment. Perry Group improved marginally following confirmation that Sir Ron Brierley's IEP Securities had sold its shareholding. First Scnttish American Trust have purchased 1m shares, or. 5.43 per cent of the Perry equity, and the remaining 1m have been placed with institutional investors.

Hammerson A revealed annual profits much in line with market estimates, but the company's reported asset value of 650p disappointed some analysts and the shares responded accordingly with a fall of 13 at 575p. Land Securities continued to traded firmly and added 6 more to 563p, but MEPC struggled to make progress and closed little changed at 529p. Estates and General gained 9 to 173p following the acquisition of Docklands properties worth some £9.85m, while Peachey, currently bidding for E&G, firmed 8 to 436p.

Rumours continued to swirl around Courtaulds and the latest name mentioned was that of Du Pont, the US group. Activity remained at a good level - some 3.6m shares passed through the system - leaving Courtaulds 5 dearer at 355p.

Inchcape again outshone other Overseas Traders, rising 20 further to 723p ahead of tomorrow's preliminary trading statement. Profits of around £111m are expected.

The Traded Option Market gave another robust performance, the total number of contracts rising to 35,071 comprising 22,117 calls and 12,954 puts. Racal calls were popular and totalled 3,366. BP recorded 1,602 calls and 1,708 puts, while British Gas registered 1,875 calls and 360 puts. Pilkington attracted late business with calls totalling 1,803. The FTSE contract was quiet, attracting only 892 calls and 796 puts.

Traditional Options

- First dealings Apr 18
- Last dealings Apr 29
- Last declarations July 14
- For Settlement July 25

For rate indications see end of London Share Service

Interest continued at a fairly high level in the Traditional option market. Stocks to attract money for the call included Astra Trust, Western Motor, Thomson T-Line, T. Cowie, Premier Consolidated, Eagle Trust, Shiloh, CASE, Blacks Leisure, Norfolk Capital, Reliant Motor, Brent Street, BOMS and Rowntree. Put options were taken out in Rowntree and Underwoods, but no doubles were reported.

FINANCIAL TIMES STOCK INDICES

	Apr. 19	Apr. 18	Apr. 15	Apr. 14	Apr. 13	Year ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	91.31	91.43	91.26	91.09	91.09	90.16	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.31	97.75	97.92	97.99	98.04	96.96	98.31 (19/4)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1429.7	1419.6	1415.7	1416.2	1435.8	1531.9	1478.7 (4/3)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	218.1	221.4	217.5	216.6	220.7	453.5	312.5 (7/1)	216.6 (14/4)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.53	4.57	4.57	4.55	4.48	3.79				
Earnings Yld. % (full)	11.80	11.89	12.91	11.85	11.72	8.69				
P/E Ratio (net)	10.40	10.33	10.31	10.38	10.46	14.24				
SEAQ Bargains (5pm)	23,165	26,075	26,144	26,723	23,497	31,964				
Equity Turnover (£m)	-	972.90	1746.77	1561.94	1393.58	945.21				
Equity Bargains	-	26,257	27,117	28,217	24,880	41,010				
Shares Traded (ml)	-	389.4	454.3	544.0	461.8	358.2				

S.E. ACTIVITY Indices	Apr. 18	Apr. 15
Gilt Edged Bargains	152.7	153.8
Equity Bargains	170.1	175.7
Equity Value	1966.5	2530.7
5-Day average		
Gilt Edged Bargains	142.4	141.9
Equity Bargains	172.1	172.7
Equity Value	2841.2	2814.7

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1423.3	1418.6	1423.8	1424.2	1425.4	1425.7	1426.6	1426.2

Day's High 1429.7 Day's low 1417.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil—10.29.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (88).

BRITISH FUNDS (8) LOANS (7) CANADIANS (3) BREWERS (2) BUILDINGS (8) CHEMICALS (3) STORES (5) ELECTRICALS (8) ENGINEERING (3) FOODS (1) INDUSTRIALS (8) INSURANCE (2) LEISURE (4) PAPERS (2) PROPERTY (14) TRUSTS (8) OILS (1) MINES (2).

NEW LOWS (55).

BRITISH FUNDS (2) AMERICANS (8) CANADIANS (7) BANKS (1) STORES (8) ELECTRICALS (8) ENGINEERING (1) INDUSTRIALS (11) INSURANCE (2) LEISURE (1) PAPERS (1) PROPERTY (2) TEXTILES (1) TRUSTS (8) MINES (6).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's
ASDA Group	4,400
Allied-Lyons	2,500
Amstrad	4,500
Argyll Group	2,900
Assoc. Brit. Foods	66
BAA	5,000
BAT	2,500
BET	700
BICC	157
BOC	3,100
BPB Inds	218
BTR	795
Barclays	2,200
Bass	304
Beecham	1,300
Blue Arrow	4,100
Blue Circle	575
Boots	809
Brit. Airways	1,500
Brit. Aerospace	1,300
Brit. & Comm.	764
British Gas	2,900
BP	4,700
Brit. Telecom	1,600
Burmah Oil	2,300
Burton	1,000
[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	20	68	26
Corporations, Dominion and Foreign Bonds	13	16	23
Industrials	477	271	826
Financial and Properties	203	111	337
Oils	27	29	52
Plantations	1	4	8
Mines	42	90	103
Others	76	81	92
Totals	859	630	1,467

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Tuesday April 19 1988

FT-SE 100 SHARE INDEX ♦ 1798.9 +11.1

FIXED INTEREST

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*401)	360	42	30	58	½	8	15
	390	13	30	42	2	20	25
	420	1	17	25	21	37	48
Brit. Airways (*165)	140	26	29	33	¼	4	8
	160	7	12	18	1½	12	14
	180	½	6	10	16	24	25

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
LASMO (*357)	330	35	50	65	6	18	25
	360	16	35	48	20	30	40
	390	7	-	-	43	-	-
P. & O. (*580)	550	42	62	70	10	18	25
	600	12	35	47	30	42	52
	650	3	17	27	72	80	85

April 19 Total Contracts 35,071 Calls 22,117 Puts 12,954

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS

NETHERLANDS (continued)

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices April 19

MONTREAL

Closing prices April 19

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 45

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

TRADING ACTIVITY

CANADA

NEW YORK ACTIVE STOCKS

	Apr 19	Apr 18	Apr 15	Apr 14	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1452.4	1451.0	1436.9	1467.6	1467.6 (14/4)	1170.7 (10/2)
All Mining (1/1/80)	704.7	695.2	670.8	695.6	773.6 (14/1)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	172.51	172.48	173.29	175.04	178.92 (21/3)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/80)	4705.8	4685.2	4660.5	4739.0	5043.1 (9/3)	3600.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	193.32	192.61	193.10	199.26	200.07 (11/4)	180.68 (4/1)
FINLAND						
Unitas General (1975)	635.4	631.7	631.2	645.8	646.4 (12/4)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	301.2	302.6	296.8	305.0	306.9 (23/2)	251.3 (29/1)
Ind. Tendance (31/12/87)	107.7	108.8	108.2	108.8	112.3 (25/2)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	457.82	455.3	454.49	463.70	476.37 (18/3)	396.40 (29/1)
Commerzbank (1/12/53)	1398.1	1389.8	1386.3	1413.3	1457.5 (18/3)	1207.9 (29/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2593.93	2551.96	2598.95	2684.13	2684.13 (14/4)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	517.94	518.61	517.00	527.43	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	26657.00	26671.45	26893.57	27111.35	27111.35 (14/4)	21217.04 (4/1)
Tokyo SE New (4/1/68)	2150.89	2155.29	2173.80	2193.95	2193.95 (14/4)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	248.5	248.7	247.3	255.3	280.3 (24/2)	205.7 (4/1)
ANP-CBS Industrial (1970)	206.6	206.9	205.9	211.7	211.7 (14/4)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	394.35	398.14	389.85	397.82	412.04 (11/4)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	938.9	938.7	933.4	957.1	969.40 (21/3)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1274.0	1317.0r	1304.0	1298.0	1790.0 (7/1)	1212.0 (29/2)
JSE Industrial (28/9/78)	1515.0	1521.0	1521.0	1527.0	1564.0 (11/1)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	272.87	274.87	273.32	281.14	281.14 (14/4)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	2710.5	2716.6	2744.6	2838.7	2838.7 (14/4)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	528.5	(c)	524.9	530.8	539.5 (18/3)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	455.9	458.8	462.1	463.4 (15/4)	401.0 (21/1)

**Saturday April 16: Japan Nikkei (c) . TSE (c)

† Amended at source.

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
AMS Inds.	42	+ 6
Atlas Converting	212	+ 20
Bowthorpe	175	+ 7
Conder	303	+ 10
Crystalate	170	+ 15
Delta Group	307	+ 19
Dubilier Intl.	211	+ 35
Estates & General	173	+ 9
First Natl. Finance	252	+ 12
Fisons	244½	+ 8½
Inchcape	723	+ 20
London Intl.	276	+ 14
Plessey	161	+ 8
Racal Elect.	235	+ 12
Rank Org.	713	+ 17
Reckitt & Colman	855	+ 41
Steel Burrill Jones	186	+ 11
Tate & Lyle	774	+ 18
Taylor Woodrow	446	+ 20
Vaux	756	+ 16
FALLS		
Hammerson A	575	13
Spice	126	32

TOKYO - Most Active Stocks

Tuesday, April 19, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	25.65m	476	-2
Nippon Kokan	25.08m	401	-4
Mitsubishi Heavy Ind	23.83m	726	-4
Mitsui Engineering	26.03m	345	+15
Iseki	15.17m	517	+50
Keisei Railway	14.70m	923	+20
Nippon Mining	11.55m	572	+4
Hitachi Seiki	11.46m	850	+81
Sato Kogyo	11.37m	868	+28
Kawasaki Steel	10.06m	380	-6

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.6	10	204	23½	22⅞	23⅛	+¼
27	10½	AGS s			15	1126	18	16¼	17⅝	+⅞
10½	4⅜	AMCA				65	4¼	4⅛	4¼	
8⅝	3¼	AM Intl				361	4	3⅞	3⅞	−⅛
65⅛	28¾	AMR			16	3523	42½	41¾	42⅛	+⅛
12¼	6⅜	ARX			9	66	8⅞	8⅝	8⅝	
72⅞	40⅛	ASA	6	8.6		358	46¼	40¼	45⅝	−⅝
22⅝	9½	AVX			14	64	17⅛	16¾	17⅛	+⅛
66⅝	40	AbtLab 1.20		2.6	16	3975	48	46½	46½	−1
28	15⅜	Abitibi g 1				101	18⅝	18⅛	18⅛	−¼
16¾	6½	AcmeC .40		3.2		100	12¾	12⅝	12⅝	+⅛
10½	6¾	AcmeE .32b		4.4	20	14	7½	7¼	7¼	−¼
20	14⅛	AdaEx 2.93e		10.		215	15½	16⅛	16¾	+⅛
18¾	6⅞	AdamM .24		1.4	14	3059	17¾	17⅛	17⅜	+4
24⅞	7½	AMD				5676	13⅜	12⅝	12¾	−⅛
56¾	28¼	AMD pf 3		7.9		186	38¾	37¾	37¾	−⅛
11⅞	4⅝	Adobe			13	93	7⅞	7⅝	7¾	
20¼	16¼	Adob pf 1.84		10.		x7	18	17¼	18	+⅜
21⅜	17½	Adob pf 2.40		12.		x5	20½	20½	20½	+⅛
15	6⅛	Advest .12a		1.7	7	168	7¼	7⅛	7⅛	
64¼	42½	AetnLf 2.76		6.5	6	2591	43	d42⅝	42⅝	−¼
83½	41	AflPub .40		.7	34	931	61	66½	59⅝	−1⅜
23¾	13	Ahmans .88		5.2	7	1842	14⅝	14⅛	14⅛	−⅜
4⅛	1¾	Aileen				955	3¾	3½	3½	+⅛
53⅞	20	AirPrd 1		2.2	14	1882	46⅝	45½	45¾	−⅛
36	11⅛	AirbFrt .60		3.0	19	12	17	16⅞	16⅞	−¼
16½	6¾	Airgas			18	167	12⅝	12¼	12¼	
16¾	13⅛	AirleasE.30		12.	19	72	18⅞	18½	18½	−⅛
27¾	25½	AlaP pf2.04e		7.9		2	25⅞	25⅞	25⅞	−⅛
16½	7⅜	AlaP dpl.87		9.3		47	9⅝	9⅛	9⅝	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68¼	34¾	Pennwlt	2.40	4.1	15	1714	58⅞	57¾	58¾	+2⅝
100¼	56½	Pennw pr	2.50	2.8		1	90	90	90	+4
39½	20½	Pennw pr	1.60	4.7		13	34½	33¼	33⅝	+1⅛
88	38½	Pennzo	2.20	3.0	107	918	75½	74	74	−½
22⅞	14¼	PeopEn	.52	8.5	11	594	17⅞	17⅝	17⅞	+½
16¾	9½	PepBys	.10	.8	20	499	12¼	12	12⅛	
42¼	25½	PepsiCo	.58	2.0	15	5010	34⅞	33¾	33¾	−⅝
12	7⅜	PerkF	1.20e	12.	12	81	9⅞	9⅝	9¾	−⅛
41⅛	18½	PerkEl	.60	2.3		750	26½	26	26⅜	+⅛
9¾	6½	Prmian	.80e	10.	13	160	8⅛	7⅞	8	+⅛
10⅝	6¾	PrLP	pr1.15	15.		161	8⅛	7¾	7¾	−¼
13⅝	6⅛	PeryDr				214	9¾	9¾	9¾	−¼
40	14¼	Petrie	.20	1.0	12	922	19¾	18⅞	19⅛	+⅛
21	15⅝	PetPar	2.05	11.	10	68	19⅛	18⅝	18⅝	−⅛
33½	20½	PetRs	3.18e	12.		60	25⅞	25⅝	25⅝	−½
2⅛	⅞	PtrInv	.22e	16.		136	1½	1⅜	1¼	
76½	40	Pfizer	2	3.5	14	3459	58⅝	56¾	56¾	−1⅛
58	23½	PhelpD	.80	1.4	9	2486	42⅝	41¼	41½	+½
74	37	PhlpD	pr 3	5.2		39	58	58	58	+¾
23⅝	16⅝	PhilaEl	2.20	13.	7	4677	17½	17⅛	17¼	−⅛
45½	34	PhE	pfA3.80	11.		z400	35¾	35⅝	35⅝	
87	68	PhE	pfG6.75	11.		z550	61	61	61	⅛
103½	85	PhE	pfH9.50	11.		z80	86	85½	86	
100⅝	95	PhE	pfT9.87	10.		z534696		d94¼	96	
13⅛	11	PhE	pfR1.41	12.		70	12	11½	11⅞	−⅛
12½	9⅞	PhE	pfP1.33	12.		81	11	10¾	10¾	−¾
79	65⅝	PhE	pfH7.80	11.		z550	72⅛	72⅛	72⅛	
12¼	9¾	PhE	pfO1.28	12.		174	10⅞	10⅝	10⅝	

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8¾	5⅜	Schlr	.31e	4.4		180	7	6⅞	7	+⅛
57⅞	31¼	SchrPl	s1.20	2.4	10	3861	49⅞	49	49⅛	−⅝
51	26	Schlmb	1.20	3.3	20	9655	36⅜	35⅞	36⅛	+⅛
17	5¾	Schwb	e		9	189	7¼	7½	7½	
20¼	8⅛	SciAtl	.12	.8	12	809	15¼	14⅝	14⅞	+⅜
43½	27½	ScottP	s		12	4750	37⅛	36¼	36⅝	+⅞
15⅞	10	Scottys	.52	3.8	10	36	10	14½	14⅝	−¼
13	5¼	ScdNA	n.07e	.7		272	10⅝	10½	10⅝	+¼
30½	12	SeaCnt	.25e	1.1	11	1126	24⅛	23	23½	+⅜
14¾	10½	SeaCt	pf1.40	11.		9	13¼	13⅛	13¼	+½
17½	14	SeaC	pfB2.10	13.		9	16⅝	16⅝	16½	−¼

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T T T

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12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33½	17¼	TwinDs	.70	2.6	11	38	27¼	27	27	−¼
29⅝	13¾	TycoL	s .24	.9	23	2809	27⅞	26⅝	27⅞	+1¼
16⅝	9¼	Tyler	.44	3.1	14	219	13	12½	13	+½

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	11⅝	UDC	2.20	13.	8	145	17½	17	17⅛	+¼
60	21¾	UGI	2.04	7.5	16	84	27¼	26½	27⅛	+¼
13¾	4½	UNCInc	.01e	.1	15	690	10⅛	9¾	9⅞	−¼
27⅝	15⅝	UNUM	.48	2.3	11	x787	21⅝	21⅛	21¼	+⅛
45¾	28¾	USFG	2.84	6.8	8	1814	30½	30	30⅛	
55¾	41¼	USFG	pf4.10	9.3		1177	44⅛	44	44	

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X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60	65	Xerox	3	5.9	10	2039	54¼	53¾	54	−¼
50¾	46¾	Xerox	pf4.13	8.4		4	49	46⅞	49	+¼
35¾	19⅛	XTRA	.64	1.9	17	47	34⅛	34¼	34¼	−⅛
29¾	19½	XTRA	pf1.94	6.7		147	29	28¼	29	+½
45¼	17½	Yorkin			14	400	42⅝	42¼	42½	+¼
7¼	2¼	Zapata				333	3¼	3⅛	3⅛	−⅛
67	13½	Zayre	.40	1.6	16	13354	24⅞	23¼	24⅝	+1¼
35⅝	10	ZenithE				1533	16⅞	16¼	16⅝	
11⅝	1⅝	ZenLab				604	2½	2	2¼	−⅛
24	13½	ZenNtl	.80	4.6	10	823	20⅞	20¼	20¼	−⅝
20⅝	11⅝	Zero	.80	2.7	14	234	13⅞	13⅝	13⅝	−⅜
30¾	15	Zurmin	s .68	9.9	14	183	21⅛	20¾	20⅞	−¼
10⅝	7⅝	Zweig	1.24e	13.		448	10⅛	10	10	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

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OVER-THE-COUNTER

Nasdaq national market, closing prices

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Continued on Page 43

AMERICA

Dow drops as anxiety grows over inflation

Wall Street

EXACTLY six months after the crash, yesterday was marked by an early rebound in equities and bonds and then a sudden plunge in both markats in nervous, rumour-ridden trading, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 8.62 points lower at 1,999.5, giving up a gain of more than 32 points during the afternoon. The overall decline partly reflected an afternoon downturn in the bond market and was disappointing, given a series of healthy corporate quarterly results released yesterday which had boosted the Dow to a confident morning gain.

US government bonds had risen by ½ point at mid-session, cheered by a reversal in the upward trend in crude oil prices and by relative stability in the dollar.

However, prices started to sag badly in the afternoon as rumours circulated markets that today's consumer prices index release would show an inflationary surge. Expectations for the index have centred on a gain of about 0.4 per cent in March but the rumours, which seem highly unlikely, suggest a rise of 0.9 per cent.

Towards the close, bond prices stood about ¼ point lower with the yield on the Treasury's 30-year long bond rising above 9 per cent again.

Bond traders described the mood in the bond market as extremely negative and technically very weak. The rise in yields above 9 per cent is not crucial in itself but does suggest the market is undervalued. Howaver, there appears to be almost no buying interest at this level and yesterday afternoon saw selling even at the 9 per cent level.

The rumours about a bad consumer prices figure attest to the market's nervousness about inflation.

Some traders attributed weakness in both equities and bonds to speculation that the Reverend Jesse Jackson was doing well in the voting in the New York primary. However, other tradera countered this suggestion with the view that a Jackson victory in New York would be bullish for securities markets because it would be seen as ensuring a Republican victory in November.

The Dow was boosted in the morning by a number of strong corporate earnings announcements. However, many of the shares of companies which had strong results had given up a good proportion of their earlier gains by the close.

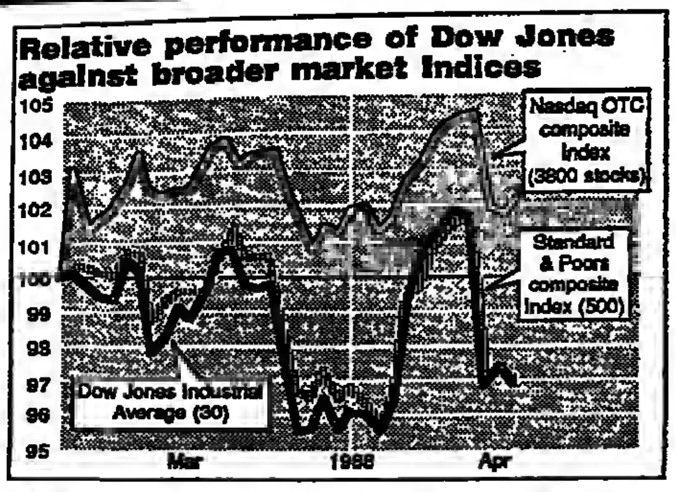
Merck, the manufacturer of drugs and speciality chemicals, slumped from a gain of $2¾ at mid-session to close only $¼ higher at $158 after its announcement of sharply higher net earnings per share of $2.06 in its first quarter, compared with $1.47 a year earlier.

Aluminium Co of America held on to its gains to close $3 higher at $46⅛ after reporting a substantial improvement in profits with net earnings in the first quarter of $2.02 a share compared with 58 cents a year earlier.

Philip Morris, the leading US tobacco and food and drinks company, rose $⅜ to $87⅞ in response to its news of net earnings of $2.12 a share after $1.62 in the same 1987 quarter. Minnesota Mining & Manufacturing added $⅜ to $58¼. The company achieved net earnings per share of $1.22 in the first quarter compared with 93 cents a year earlier.

A number of financial institutions reported their latest earnings. Morgan Stanley, the important US investment bank and hrokerage house, rose $⅞ to $69⅛ after it announced a surge in first-quarter earnings to $3.82 a share from $2.54 a year ago. The rise also followed the announcement that the board had approved the repurchase of up to $100m of its common shares after the sale to Occidental Petroleum of its stake in Cain Chemical.

Paine Webber rose $⅛ to $15⅛. It announced sharply lower earnings per share of 48 cents compared with $1.05 a year earlier. Citicorp eased $¼ to $19 on news of first-quarter net earnings of $1.01 a share after 87 cents and First Boston added $¼ to $24⅛ in spite of sharply reduced earnings of $1.17 a share in the first quarter compared with $2.09 a year earlier.



Canada

MIXED, active trading left Toronto share prices only slightly np after an earlier advance.

The composite index, which had risen about 21 points in earlier trading, moved ahead 2.45 to 3,373.74. Declines ontpaced advances by 415 to 401 on heavy turnover of 35.5m shares.

Falling golds and energy issues were offset by advancing base metals and industrials.

The market moved off its earlier highs on profit-taking in heavily weighted stocks such as Inco, which fell C$⅜ to C$35⅛.

EUROPE

Company news again provides focus

London

Stockholm bullish despite falls

ASIA

Late buying offsets oil price worries

Tokyo

LATE BUYING helped share prices recoup most of the day's large early losses in Tokyo yesterday, and the stock market ended just slightly lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average closed down 14.45 at 26,657, after moving between the day's high of 26,676.84 and a low of 26,444.81.

Volume rose slightly to 638m shares from Monday's 564m, and declines led advances by 509 to 375, with 174 issues unchanged.

Investora were depressed hy rising crude oil prices following the hostilities in the Gulf, and small-lot selling pressure led prices lower in the morning session.

But leading securities house dealers stepped up buying in afternoon trading, helping the market rebound sharply, with high-technology stocks and giant-capital issues pacing the rally.

Nippon Steel topped the active list, although its volume totalled only 25.7m shares, less than one-tenth of its peak level. The issue dipped Y9 to Y469 at one stage, but ended just Y2 lower at Y476.

Among other giant-capitals, Nippon Kokan fell Y4 to Y401, Mitsubishi Heavy Industries Y4 to Y726 and Kawasaki Steel Y6 to Y380.

Leading high-technology stocks rallied steeply towards the close. Matsushita Electric Industrial, which dropped Y40 briefly, closed Y20 higher at Y2,740, while NEC finished Y10 higher at Y2,140 after losing Y20 at one stage.

Heavy electricals held firm, with Hitachi adding Y30 to Y1,440 and Toshiba Y13 to Y803.

Nevertheless, buying interest in these leading stocks was not so strong because of the uncertain outlook for crude oil prices, exchange rates and interest rates.

Resource issnes firmed in response to rising crude oil prices. Nippon Mining, the seventh most active stock with 11.6m shares changing hands, added Y21 to Y589 in morning trading. Bnt the issue came under selling pressure as high-technology stocks regained popularity in the afternoon, ending Y4 higher at Y572.

Cosmo Oil rose Y4 to Y637, Nippon Oil Y20 to Y1,220 and Teikoku Oil Y23 to Y889.

Speculative issues fared well. Iseki and Konica gained Y50 each to Y517 and Y1,710 respectively.

Bond prices plunged in early trading due to the Gulf confrontation, but recouped some of the early losses in late trading.

The yield on the benchmark 5.0 per cent government hond, maturing in December 1997, rose to 4.465 per cent at one stage from Monday's close of 4.345 per cent, on investor concern over inflation caused by higher crude oil prices and rising long-term interest rates in the US.

However, city banks and agriculture-related financial institutions began to place buy orders as the yield neared 4.5 per cent, and it ended at 4.405 per cent.

Over-the-counter trading volume was relatively thin at Y1,900bn, mirroring uncertainty in the Gulf.

On the Osaka Securities Exchange, prices remained weak on small-lot selling. The 250-issne OSE stock average closed 66.07 points lower at 26,686.62, on an estimated volume of 57m shares, up 1m from Monday.

Nintendo extended its losing streak, falling Y170 to Y9,120, while Daishinpan shed Y50 to Y1,030.

But Nippon Dream Kanko continued to draw speculative interest, rising Y170 to a record Y1,600.

The Tokyo Stock Exchange has approved new pricing rules to prevent overheating of newly-listed issues.

The rules, which take effect from May 1, will set the price of new issues only when sell and buy orders match fully. At present the price is set when the volume of sell orders reaches half that of buy orders.

There has been criticism of the present rules after a rapid appreciation in the price of some new issues earlier this year.

Australia

NERVOUS investors sold industrial stocks, leaving share prices barely steady in spite of support for resource issues following the overnight rise in bullion and crude oil prices.

The All Ordinaries edged up 1.4 to 1,452.4, with the All Mining up 11.5 at 704.7.

Turnover was 115m shares against 89m the previous day.

In leading golds, Metana rose 30 cents to A$8, Australian Consolidated Minerals added 20 cents to A$3.80, Western Mining climbed 14 cents to A$5.54 and Placer Pacific put on 11 cents to A$1.79.

Rumours of corporate play between MIM and CRA led to 4 cent gains for each, and they closed at A$1.80 and A$7.14 respectively.

Higher crude prices boosted sector leader Santos 4 cents to A$4.82.

Selling of industrials FAI and QBE led to 10 cent losses to A$4.50 and A$4.40, with Lumley Corporation falling 25 cents to A$1.50.

Hong Kong

A ROUND of active bnying towards the close boosted share prices and the Hang Seng index closed 41.97 higher at 2,593.93, after slipping 4 at the opening.

Turnover fall to HK$810m against HK$1.1hn the previous day.

Property shares saw the largest gains after the previous day's sharp falls, with Hongkong Land rising 25 cents to HK$8.10, Cheung Kong 20 cents to HK$7.55, New World 38 cents to HK$10.20 and Hang Lung Development 10 cents to HK$5.

Singapore

SELECTIVE bargain hunting towards the close reduced early losses, helped by a small recovery in Tokyo.

But institutions remained on the sidelines amid overall uncertainty about the market'a direction and the Straits Times Industrial index rose just 0.18 to 930.9, after falling 2.36 points at midday.

Demand focused on some Malaysian speculative issues and plantstion stocks while Singapore-based blue chips and quality stocks lost ground.

SOUTH AFRICA

TRADING remained very thin in Johannesburg as investors stayed on the sidelines amid uncertainty over the direction of global markets, currencies and interest rates.

Gold stocks failed to respond to the firm bullion price and Vaal Reefs ended R7 lower at R257, while Beatrix was off 50 cents at R13.50. Randfontein shed R2 to R235 despite news of an improved first quarter performance.

De Beers was down 75 cents at R30 and Rustenhurg Platinum lost 40 cents to R32.85. Industrials were mixed, with SA Breweries adding 45 cents to R17.50.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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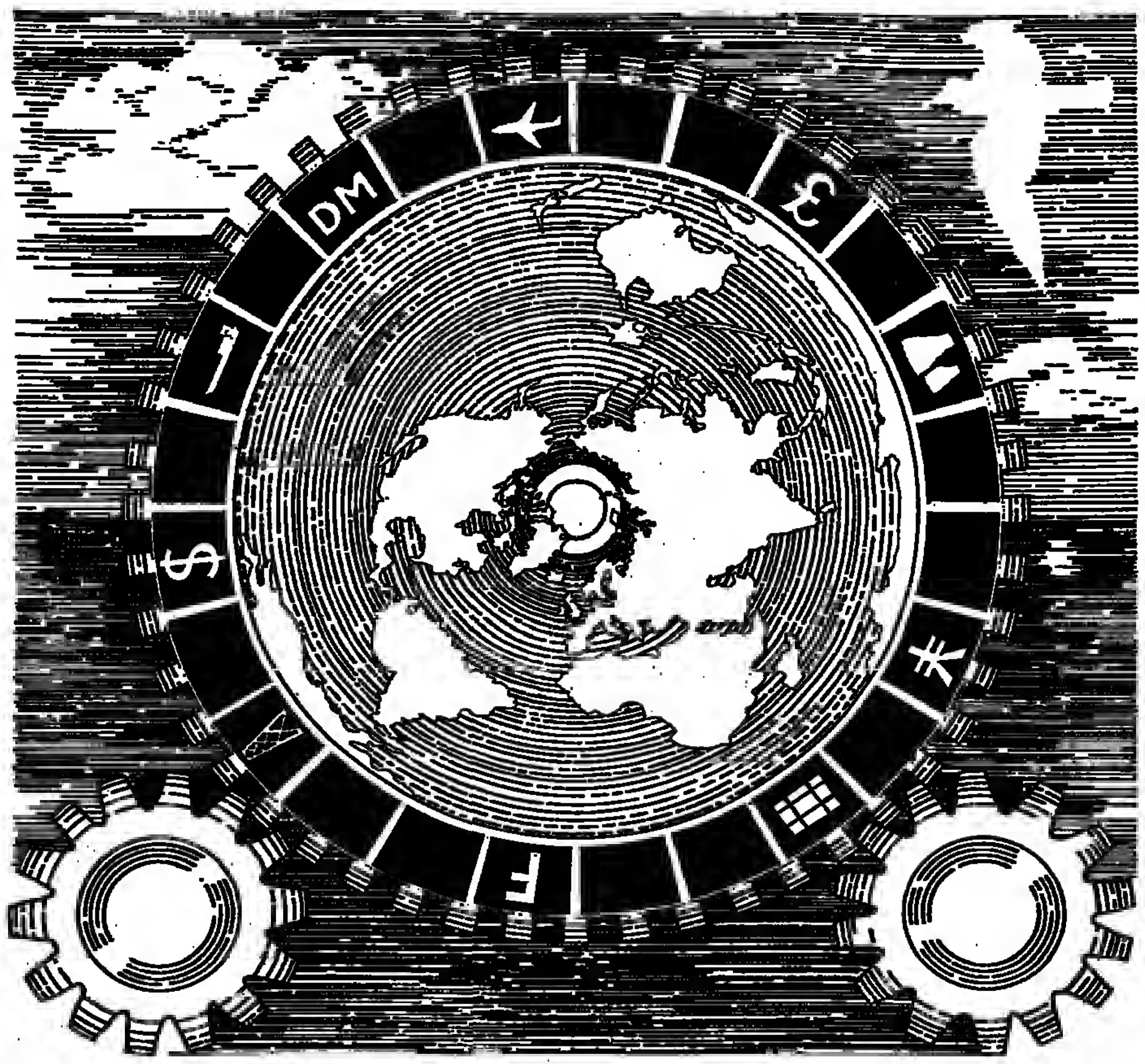
SECTION III

FINANCIAL TIMES SURVEY

Sluggish growth in world trade, poor credit risks and overcapacity in the banking system pose new challenges for banks involved in export finance. However, writes **Peter Montagnon**, the market is fighting back with innovations designed to make greater use of capital markets.



Export Finance

A time for ingenuity

A REAL fear in the City during last year's protracted negotiations on reform of Britain's export credit system was that banks would simply drop out of the business if the returns were shaved too close.

It was acknowledgement of this by the Government that led at the end of the day to a much smaller cut in lending margins paid to banks on official export credits than had previously been anticipated.

That acknowledgement is itself a measure of the way in which, six years after it started, the developing country debt crisis still casts a shadow over the business of export finance.

Though the total volume of world trade has continued to grow over the last couple of years – according to the General Agreement on Tariffs and Trade, real volume rose by 4 per cent last year, after 3½ per cent in 1986 – capital goods exports to the developing world have stagnated.

The result has been a contraction in what was once a lucrative international banking business: the financing of major projects and industrial investments in developing countries.

At the same time, under the impact of the debt crisis and rescheduling, the perceived risks have grown, confronting banks with the double challenge of scrambling for a share of a dwindling cake, while at the same time seeking out safe but cost-effective forms of finance.

A measure of the difficult market that confronts the export finance community is provided by the problems facing official export credit agencies, whose job is to guarantee much of these loans. Though Britain's Export Credits Guarantee Department reported an operating surplus of £178m, this was before a transfer to loan loss provisions of £540m, and claims were still running at more than £800m.

Elsewhere, at agencies Coface in France and Hermes in West Germany, the red ink is running freely; and governments around the world have begun to question the desirability of providing open-ended support for exports.

Earlier this year, a gloomy report from the International Monetary Fund suggested that deficits at export credit agencies were likely to remain large in absolute terms for some time, even if they are gradually able to recover some of the claims paid out in the earlier years of the debt crisis.

The IMF said the agencies faced a continuing decline in new medium-term credit business, even though they had become more flexible about making cover available for countries with a history of debt difficulties. "Weakness in demand has been general and, in fact, some of the more marked declines have been for countries where the agencies are quite open," it said.

The new mood of austerity in the developing world meant that governments were cutting back on infrastructure projects for which export credit insurance had previously been sought. The agencies were confronted with a vicious circle in which dwindling business meant that higher premiums on riskier business had little effect on boosting their overall income levels.

One part of the solution adopted by the UK, to the problem of the cost of supporting export credits, has been agreement to refinance export credits in the international capital markets. Interest rates are lower in the securities market than on commercial bank loans, and once the refinancing operation gets under way later this year, the hope is that it will lead to significant cost savings to the taxpayer.

The idea of export credit agencies using the securities market is not new. Some, such as Canada's Export Development Corporation, Austria's Kontrollbank and Sweden's SEK, are traditionally permitted to borrow in their own name. SEK has long enjoyed renown as a particularly adept borrower, able to cream off the best available rates.

But the UK refinancing scheme is nonetheless an important sign of the times. It underlines the tendency for export finance generally to introduce new capital-market techniques as a means of paring costs.

For those commercial banks which are determined to stay in the export finance business, the market has become highly competitive. The ability to structure their deals, to give the borrower the precise form of finance he requires, has become an imperative if they are to win new business. As the securities markets have become more sophisticated and the debt swap markets have grown, financial engineering has become an important consideration in export finance.

Late last year, for example, National Westinster and Banque Paribas broke new ground with a $504m loan facility for the Canadian airline Wardair, to finance the purchase of 12 Airbus A-310/300 airliners. Using a complicated system of letter-of-credit guarantees, the deal was the first to provide for long-term funding in the borrower's local bond market.

More recently, First Chicago has won mandates worth nearly £100m to finance the purchase by South Korea's Pohang Iron and Steel Company of new blast furnaces from the Davy Corporation. The deals involve conversion, through the swap market, of conventional sterling export credits into low interest dollar and Swiss Franc debt.

Morgan Grenfell used the swap market to arrange a £23m, 11½ year fixed-term credit to the Soviet Union, in support of Yugoslav content in the £246m factory automation plant order won by Simon Carves in Yerevan last year.

These loans provide ready examples of the way in which new capital market techniques are creeping into the business of export finance. Yet, as bankers frequently point out, it is far from easy to come up with the right structure.

By their very nature, export credits tend to have long draw-down periods and complicated amortisation schedules. It is hard to marry these with conditions in the international securities market, where investors tend to prefer bullet maturities. Swaps, too, are often hard to find for the longer maturities to which export credits can often run.

Nonetheless bankers expect that pressure on them to develop these techniques further will grow from the summer when, under rules set by the Organisation for Economic Cooperation and Development, in Paris, interest subsidies on official export credits to richer countries like the Soviet Union are outlawed.

Meanwhile, another novel concept is gaining ground, at least theoretically. This is the so-called "Boot" (build-own-operate-transfer) idea, under which contractors and their financial backers are themselves responsible for operating infrastructure projects in developing countries until such time as the loans have been repaid and they have made an adequate return on their investment. Only then is the project handed over to the host government.

Such schemes have an obvious attraction for developing countries that are strapped for cash, as the financial liabilities lie elsewhere. They also introduce a more commercial concept into the selection of projects, since developers have to scrutinise the financial viability of a project before it goes ahead. Yet the experience of Turkey, which has been a leading pioneer of the concept, shows they are hard to put into practice.

One of the main worries about such schemes is that the return – for example, on a road project – will often be in local currency. It is hard for the contractors to be certain that foreign exchange will be available against these local funds to pay off international financial costs. Partly for that reason, some bankers argue thet Boot schemes are better applied to the developed, rather than the developing, world.

Indeed, even within the UK, there are signs that the concept is taking off. The proposed Dartford Bridge across the Thames estuary and the Channel Tunnel itself bear many of the characteristics of a Boot scheme. For bankers involved in project finance, these schemes offer more than a hint that future business opportunities could lie more in the developed than in the developing world, where new financial techniques are often harder to apply.

Other forms of trade finance that are growing include what might best be termed highly specialist niche businesses, like forfaiting and countertrade; as well as aircraft finance, where banks face new challenges, as tax-breaks, which have permitted cheap finance in the past, are steadily being closed.

Forfaiting has long been regarded as a highly lucrative business, but it is a very specialist area, and it is still used to finance only around 1 per cent of world trade.

The business of financing trade has traditionally been regarded as a basic staple of international banking.

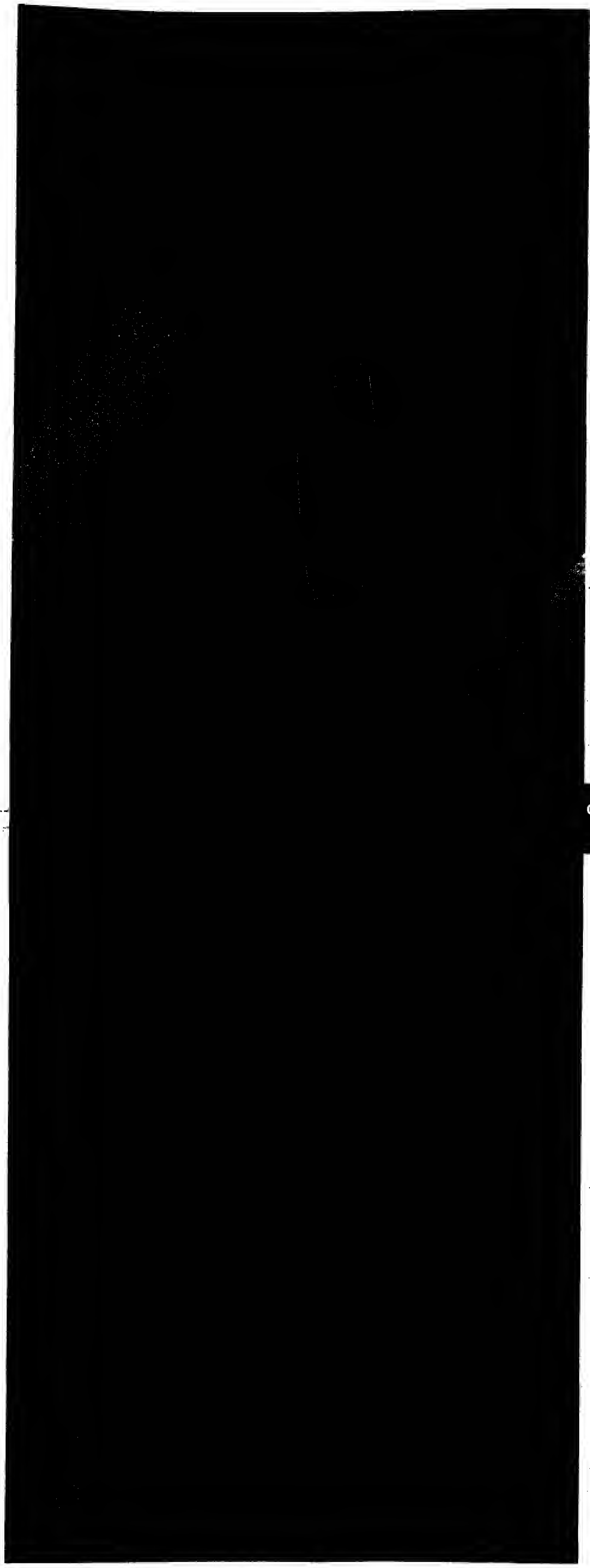
Following the onset of the debt crisis in 1982, some bankers thought it might be ripe for a renaissance as their colleagues, who had been doling out large balance of payments loans, withdrew from the limelight. In fact, the story has been rather different. Export finance has still not attracted much in the way of fresh glamour. In banking generally, the emphasis has been on sophisticated trading techniques in the international securities markets.

Yet trade continues to flow, and that at least means the potential of the market is still there. Realisation of that potential remains a challenge, however, for bankers who must have a constant eye on the bottom line. The upshot has been something of a rethink about the whole business, and for those banks which are determined to stay in the game a constant quest for new techniques and expertise.

"Gone are the days," concludes one senior UK clearing banker, "when you could have a pure export finance department which produced ECGD-related financing for major contracts and rely on that income to pay for an extremely labour-intensive operation. The level of business in that area and the reduced export credit margins make it hard to achieve an acceptable return."

CONTENTS

□ *Illustration: Ann Chasseaud*



In an ideal world nobody would ever need our services.

(Just as in a perfect world there'd be no need for life belts either.)

Unfortunately every month at least 80 of our clients face major problems with one or more of their customers.

Either their customers have gone bust or are having extreme cash flow problems.

Whatever the reason, they're still unable to pay their bills.

Without us this could leave our clients with a few major problems of their own.

Some would undoubtedly sink without trace. While others might just manage to keep their heads above water.

With our life belt at hand, however, they hardly even notice there's a storm brewing. Because we make sure that up to 90% of the bill is paid.

In fact we pay out over £2 million a month.

Some of the bills we meet are for exporters, who often face particularly risky situations.

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Even political ones.

ON AVERAGE, IT'S USED 80 TIMES EACH MONTH.

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Since we're such an effective protection against the problems of other companies, why don't even more companies use us?

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Some think, for example, that we insist on insuring all their customers.

In truth, however, we're happy to tailor a policy to the needs of a company.

We'll insure all its customers. Or just those it chooses.

We can even insure specific contracts.

The flexibility of our service means that the permutations are almost endless.

So there's little doubt that whatever size your business our services are both sensible and prudent.

After all, who else is going to throw you a life belt when things go wrong?

TRADE INDEMNITY

For further information on our services, please call 01-739 9939.

EXPORT FINANCE 3

UK profiles: **Peter Montagnon** on the new look at the ECGD, and the growing strength of its private-sector competitor, Trade Indemnity

Past history tempers dynamism

IT IS no accident that the Export Credits Guarantee Department is currently trying quietly to play down its cumbersome official title in favour of the simple initials ECGD. It now likes to be described in just a series of letters, without full-stops in between, like ICI or BP.

This is part of an attempt to create the image of a dynamic go-ahead corporation, rather than a fusty government department. For the same reason, over the past year it has also introduced a new logo, launched a major advertisement campaign involving both the printed media and local radio, and developed a streamlined new response service designed to increase its market share of short-term export insurance.

Mr Malcolm Stephens, its ambitious new Chief Executive, who has been in office for almost exactly a year, considers the new image essential to a strategy of steering the business out of the troubles that beset it earlier in the decade, when claims rose in response to the developing-country debt crisis and the international recession.

The new-look ECGD is intended to be a growing business, more responsive to the actual needs of exporters, with a more flexible premium structure that still pays close attention to the measurement of risk. Underlying trends suggest, however, that a long uphill struggle lies ahead before this policy bears full fruit.

Results for the financial year just ended will not be published for some time. Mr Stephens has already said they will show, for the first time in many years, an increase in short-term business insured by ECGD; but claims will be higher than the previous year's £803m, and borrowings from the Government's consolidated fund will rise by a further £700m to £1.7bn.

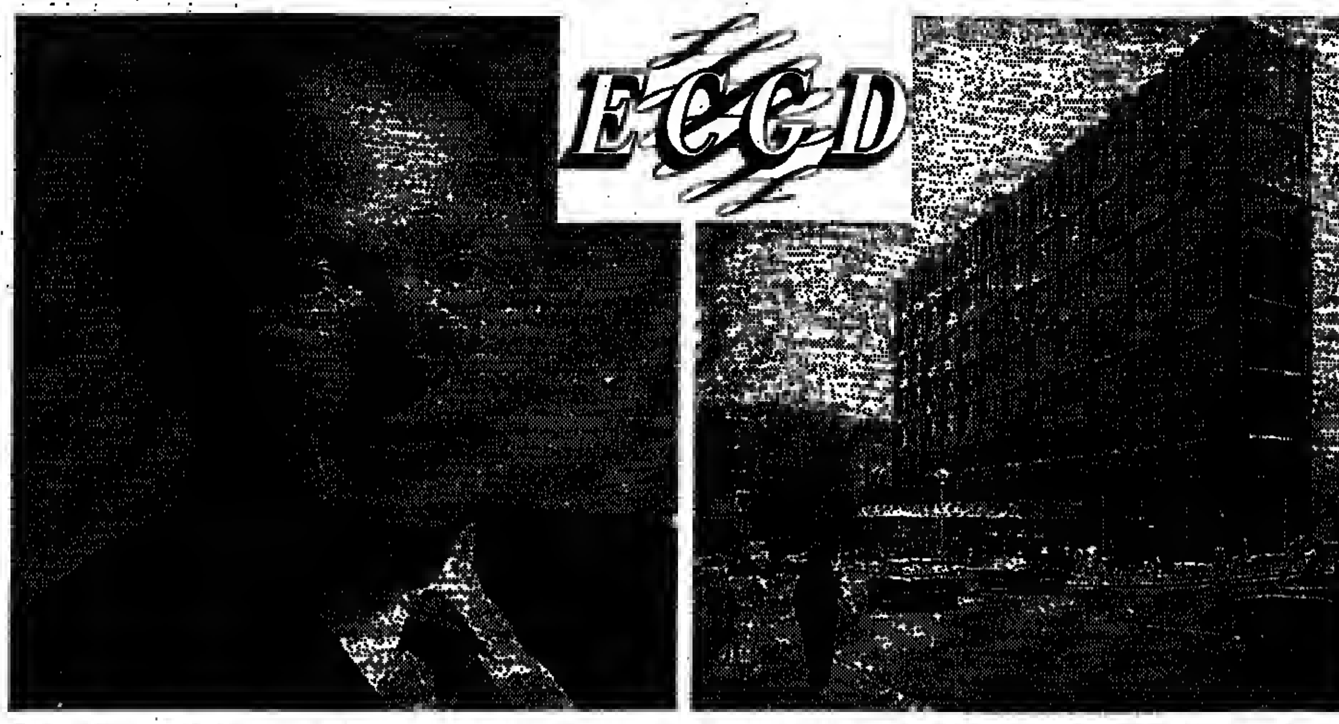
To the evident dismay of its members, he also told the Commons' Public Accounts Committee last month that borrowings from the Government could peak at a figure as high as £3.5bn in 1993. That is the earliest date by which ECGD can expect its income to cover its outgoings.

In large part, these gloomy figures reflect the fact that ECGD is still hostage to its past history. Many of the claims now being paid relate to business transacted in the boom years of the late 1970's, when it was busy insuring projects in developing countries which have now run into difficulties with their debts and had to reschedule. There is little that can be done about such claims, and ECGD has long insisted that business taken on since the onset of the debt problem in 1982 is basically profitable.

This is a point, however, which its political masters, as represented by the PAC and Whitehall, seem reluctant to take on board. They are growing impatient with the apparently inexorable increase in ECGD's borrowing levels, doubt the recoverability of some of the claims it has paid out, and are increasingly insistent on a speedy return to a situation where the department is no longer a drain on public funds.

Despite the herculean efforts of Mr Stephens, a former Barclays Bank export finance executive who is well-regarded in both the banking and export industry, doubts remain about his ability to deliver a large enough and speedy enough improvement in ECGD'e performance to satisfy the political critics.

Export insurance in today's market is a very difficult business. Following the onset of the debt crisis, exporters' attention has sifted away from developing countries towards the richer and more financially secure markets of the industrial world, for which many feel export insurance is not necessary. A large portion of this business is intra-company trade by mutlinationals, which is either self-insured or not insured at all.



ECGD's chief executive, Mr Malcolm Stephens; the joint (with Cardiff) headquarters in Ludgate Hill, London; and the new logo

Market pressures thus have a natural tendency to depress the volume of business. In the 1986-87 financial year ECGD insured only 19.6 per cent of Britain's non-oil exports. It is now trying to reverse this downward trend with a marketing onslaught on the short-term market as well as, in the slightly longer term, revisions to its medium and long-term project business to make it more responsive to the actual needs of ther marketplace.

ECGD's insurance business (£m)

	Total business insured	% of UK non-oil exports insured	Premium income	Claims paid
1982-83	19,090	33.9	344.2	584.1
1983-84	17,706	29.8	166.9	674.3
1984-85	17,122	25.3	166.3	848.9
1985-86	15,914	23.3	174.5	777.1
1986-87	13,880	19.6	157.2	803.4

Source: ECGD

One prong of this approach lies in an effort to convince customers that insurance against commercial risk is worth having, even in so-called good markets like those of North America. Mr Stephens likens it to the need accepted by householders for fire insurance, even though few actually expect their homes to burn down.

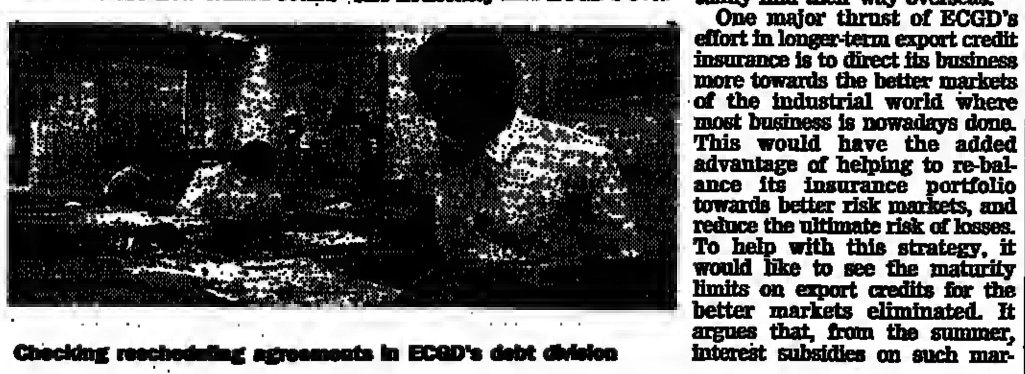
At the same time ECGD has been working hard to improve the speed of its response to customers. Well over half the inquiries it receives for short-term insurance are now turned round in less than 24 hours as a result of its new streamlined insurance service.

According to Mr Colin Foxall, the ECGD executive responsible for short-term insurance, this is a development that exporters particularly welcome. Although the new underwriting process is much faster, experience to date has shown that it is also reliable in weeding out risks.

"We're not doing this on the basis of no information. We have gone aggressively into the business of acquiring information and analysing the buyers . . . We are writing [insurance] for a successful outturn."

If anything, the new system has shown that ECGD was in the past unduly cautious about which risks it would take on. "The new underwriting process has shown that we can take on risks that were regarded as uninsurable before."

Yet, although business volume has risen in each of the last eight months, it is still running only a couple of percentage points above its level in 1986-87. This is almost certainly below the overall increase in UK non-oil exports, and implies a continuing drop in market share. Premium income has risen in proportion to the increase in business, and thus it will take a further strong effort before the new system begins to bite noticeably into ECGD's overall accounts.



Checking rescheduling agreements in ECGD's debt division

Meanwhile, ECGD is also beginning to tackle the more complex and longer-term problem of medium and long-term insurance of capital goods exports. This, too, is a difficult sector, because orders won by British companies have declined markedly since the debt crisis started, and ECGD can do little about the fact that the overall market has been shrinking.

Nonetheless it recently became the first export credit agency to announce a formal scheme for insuring build-own-operate schemes, under which contractors and their financial backers are expected to take on the commercial risk inherent in an overseas project.

In essence, however, ECGD said it was prepared to take on commercial risk but only under certain conditions, which bankers say may prove too restrictive to be of much practical use. Banks will be expected to take at least 40 per cent of the risk involved for their own account, and at least 10 per cent of the credit exposure will have to be carried by one single bank.

Among other changes planned or being introduced for the long-term sector are more flexible premium rates, and a relaxation of the rules covering non-UK content, to take account of the fact that most major projects these days involve multi-sourcing from many different countries.

Currently ECGD insists on an 85 per cent local content requirement for project insurance, though this figure can be reduced to 70 per cent when EC suppliers are involved. Changing the rules will be difficult, however, because it will involve close monitoring of content as well as possibly raising problems in situations where the UK Government is providing an interest rate subsidy whose benefits might eventually find their way overseas.

One major thrust of ECGD's effort in longer-term export credit insurance is to direct its business more towards the better markets of the industrial world where most business is nowadays done. This would have the added advantage of helping to re-balance its insurance portfolio towards better risk markets, and reduce the ultimate risk of losses. To help with this strategy, it would like to see the maturity limits on export credits for the better markets eliminated. It argues that, from the summer, interest subsidies on such markets will be banned anyhow, and the maturity constraint has thus become an artificial restriction.

This is an argument that will have to be played out at the Organisation for Economic Co-operation and Development, however, some of whose members are reluctant because they fear that an end to the maturity constraints would give an unfair advantage to those countries, like Britain, with a well-developed and deep capital market.

During the course of last month's lengthy Public Accounts Committee hearing, little attention was paid to the practical steps ECGD is now taking to try and improve its business. Instead, the committee concentrated on the size of its borrowing from the Government and the presentation of its accounts, which were qualified by the National Audit Office on the grounds that a £540m increase in loss provisions against Third World exposure may be inadequate.

From now on ECGD is revising completely its accounting system in the hope that its new figures will give a better impression of how well – or badly – the business is really doing. That may well lance some of the technical criticisms levelled at the organisation this year, but it will also throw increasing light on the question of whether or not these new policies are actually producing results. Unless these results come through fairly soon, ECGD could be in for an increasingly rough ride from its political masters.

A detailed approach

IF ONE private-sector name stands out as a competitor to the Export Credits Guarantee Department in the business of insuring short-term exports, then it is Trade Indemnity, the credit insurer based in Shoreditch, which has been expanding rapidly into this sector over the past four years.

Trade Indemnity, which is 79 per cent owned by a string of leading insurance companies, is still much smaller than ECGD in the export business, but its figures show that it has been catching up fast.

Last year it insured export turnover worth some £2bn, equivalent to roughly 18 per cent of the short-term exports covered by ECGD. This year, according to Mr Terry Bridgman, assistant general manager, it expects to push this up to 25 per cent.

Terry Bridgman: precision before speed

Such a result is all the more remarkable for the marked contrast in business approach between the two concerns. While ECGD is now concentrating on a streamlined underwriting process, which produces quick turnround and high volume, Trade Indemnity undertakes a detailed and specific credit analysis. It believes this enables it to gauge risk more accurately and to tailor policies and premiums more easily to individual customers, even though the speed of its response is slower than that of its ECGD competitor.

Trade Indemnity's export division grew out of its domestic credit insurance business, in which it is the UK's dominant market player. It is no coincidence that its London head office is located close to Companies House, which helps it maintain an extensive database that gives it real-time access to more than a million UK concerns.

Its export operation is modelled on similar lines. Through Dun and Bradstreet, it has real-time access to 7m in the US. It also has exclusive access to a new Dun and Bradstreet service covering Canada, and similar link-ups with data services in Europe, while in Australia it has its own company.

The art lies in combining the information technology and database with credit assessment skills at the level where the executive is actually dealing with the customer, says Mr Bridgman. "We will get information on the names of foreign customers and take a conscious credit decision, even if that takes slightly longer."

Nonetheless, some 42 per cent of credit-limit applications are answered within 72 hours, 70 per cent within 10 days; and only about 5 per cent are still outstanding after four weeks, he says.

The company's claims record on its export business has been good, he says. So far it has not had to pay any claims on political risks, and claims on commercial risk have been running below 50 per cent of premium income. This rose 44 per cent to £5.5m last year, and so far in 1988 has registered a further increase of 60 per cent.

Not surprisingly, Mr Bridgman is sceptical of ECGD's approach to the market with its much-vaunted increase in the speed with which insurance applications are turned round. ECGD has a problem, he says, in that it is a government department which cannot easily delegate discretion. Its lines of communication are long, and where problem cases do arise they are dealt with by senior executives who are inevitably at one remove from the actual marketplace.

Yet there is also no denying that Trade Indemnity, as a private-sector company, does have some in-built advantages. Unlike ECGD, which has a duty to promote exports, it is not compelled to provide cover in difficult markets.

"We're not in any dramatic rush to expand our activities into either extended credit terms, or into the really hairy areas of the world," says Mr Bridgman. Trade Indemnity is not writing much business on Nigeria, for instance, but it will write some.

Like ECGD, Trade Indemnity believes that there is large general scope for expansion of the export insurance market, because much trade is still uninsured. Some of this business – for example, intra-company sales by multinationals like Ford – will never be insured; but a pointer to the potential scope lies in the large volume, estimated by Mr Bridgman at £60bn, of outstanding commercial bank trade finance which is still uninsured.

For Mr Bridgman, a key to future expansion lies in closer co-operation with the banking community, especially as tougher capital requirements force the pace of securitisation. This was one reason why, earlier this year, it bought the Export Credit Clearing House (ECCH) from money-brokers R.P.Martin.

ECCH has acknowledged expertise in arranging non-recourse bank finance for exports. This can allow Trade Indemnity to provide a service to customers seeking finance for markets where insurance cover is not readily available. At the same time, it hopes to use ECCH as a means of developing closer links with the banking community for marketing its insurance product.

All this is not to say that ECGD's more aggressive marketing approach has not had an impact on Trade Indemnity's business. ECGD's fast turnround and flexible premiums mean that Trade Indemnity's expansion curve will be slower than it would otherwise have been, Mr Bridgman says.

For the slightly longer term, however, he sees a rather different balance.

The advent of the unified internal market in 1992 could curtail sharply the ability of national export credit agencies to offer short-term credit insurance within Europe, he believes. Though ECGD's interpretation is rather different, Mr Bridgman argues that this will play into the hands of the private sector at the expense of public insurers.

Short-term credit

A scramble for business

MIDLAND BANK provoked a storm of furious protest from its competitors when it announced last month that it was modifying its short-term export finance schemes so as to offer, for the first time, finance linked to an exporter's own Export Credits Guarantee Department policy.

Rivals protested that they were already willing to take on such business. Midland, they said, was offering the market nothing that was not already available.

In fact there was a novelty behind Midland's scheme, in that it had become the first bank to avail itself of a new form of ECGD insurance cover which provides protection against exporters' mismanagement of policies against which they have borrowed. That, however, was lost in the public and private slanging match that followed its announcement, and which served above all to underline the intensely competitive nature of this end of the market.

The origins of the Midland story go back to the decision some two years ago by the ECGD to wind up its heavily loss-making Comprehensive Bankers Guarantee (CBG) scheme. Under this, ECGD had insured export credits under a blanket guarantee which left lending banks little incentive to examine credit risks. Claims, over which it had little control, grew out of all proportion to premium income.

In the run-up to the phase-out, which was finally complete last autumn, the clearing banks alongside some of their non-bank competitors, like the aggressive Swindon-based Exfinco, developed their own replacement schemes. It was a modification to Midland's version of this scheme which caused all the furore.

Banking views as to the general success of these schemes vary from institution to institution. Some say that response to the new schemes has been disappointing. Others, such as Barclays, which has 600 users of its smaller exports scheme, are more sanguine.

The fact remains, however, that the volume of banking business transacted under these tailor-made schemes remains very low, both in terms of the total volume of British short-term exports and in terms of the size of the banks' own balance sheets.

Many smaller companies still prefer the convenience of borrowing against overdraft to finance their exports, even though this is more expensive than using a tailor-made bank scheme. Larger companies often say they can borrow more cheaply in the money markets and do not need to avail themselves of what is on offer from the specialists.

Theoretically this is where performance cover should come in to help. By making it easier for banks to lend against an exporter's own policy, the ECGD is also making it easier for exporters themselves to turn their policies into cash. The advantage of such borrowing is that, since the ECGD stands behind it as ultimate guarantor, it may be counted as non-recourse and therefore not appear on the exporter's balance sheet.

The use of an ECGD policy to generate non-recourse finance in this way is something that export finance specialists are now keen to push. It can have special applications, for example, in a situation where a company's above-the-lineborrowing would otherwise be strictly controlled by its parent. For ECGD it is a further incentive to companies to avail themselves of insurance cover.

ECGD has been discussing its performance cover concept with the banking industry for several months. Yet only one bank, Midland, has so far taken it up. Other bankers say it is expensive and does not give them the kind of protection they want. "It will help [ECGD] to sell their insurance cover at the margin, but not in the sort of volumes that everyone's been talking about," said one.

Among the criticisms are suggestions that the new cover still requires banks to seek recourse from the exporters before calling in their policy, and that ECGD has strictly limited the circumstances under which it will make a payment.

As far as the provision of off-balance sheet finance is concerned, this is also an area of some doubt and controversy. It depends ultimately on the willingness of auditors to treat borrowings against en ECGD policy as truly off-balance sheet. This is an instance where the rules are being made tighter rather than easier.

An alternative way of raising funds might be through the factoring market, where exporters sell their receivables to banks at a discount and it is then up to the banks to collect them. Though this is also an area in which many financial institutions are keen to promote, it has a psychological drawback in that some company boards fear that recourse to factoring will be seen by the outside world as evidence that their company is financially stretched.

Given the volume of UK trade, the assumption remains that the market for short-term trade finance schemes must be much larger than banks and their competitors have yet been able to tap. So far they do not seem to have cracked fully the secret of what it is that the market really wants.

Peter Montagnon

EXPORT FINANCE 4

Political-risk insurance

A minefield — but injuries need only be minor

THE BUSINESS of political-risk insurance has been described as a minefield. The analogy is thought by some to be too dramatic, but it does offer a neat, if simplistic, picture of the danger of unknown risks.

"Iran, Nigeria and Libya – where next?" says one underwriter's brochure.

On the other hand, the allusion does ignore the fact that whoever is crossing the minefield should be sufficiently protected to sustain only minor injuries at most if a mine goes off.

In the private sector, that protection is being offered through a competitive market which has produced for exporters a range of policies, including insurance against confiscation and contract repudiation, and a moratorium on payments.

The private market, however, has been through its own minefields. After the fall of the Shah of Iran, in 1979, business began to take off, and the ensuing period of growth coincided with one of over-capacity. The market bubble remained inflated until around 1985, according to some market experts, after which business started to slow down with the world recession. The downturn resulted in some casualties.

As one broker put it: "When the market turned sour, some had their fingers burned."

Some industry managers pointed out that US companies moved into the market during the period of high growth, but withdrew when the going became tough. Herein, they say, lay the strength of the London market's long-term view. It rode out the storm.

Mr Anthony Palmer, a director of Berry Palmer & Lyle, points out that the market has now settled down, and that the role of private insurance is better understood. "It is now realised that the rich pickings are over, and some insurance companies have realised that political risk insurance is not for them."

Cuba's debt problem also sent shockwaves through the market. "The market ran into some very large claims," said Mr C.J. Brownlees, managing director of Investment Insurance International (Managers). "A lot of business was written on Cuba, but payments have been, and are, coming through."

As for the trading situation with that country now, one underwriter pointed out: "The market has a very limited appetite for Cuba."

The general view is certainly that the market has settled down and that rates in some areas are softening. Mr Palmer says: "It is less easy to identify cyclical pressure on rates in this sector. There is pressure on attractive business, since there is not so much of it around as in the early 1980s, especially lower down the scale in the $5m range." Above $10m, insurers tend to co-operate, although the mass of business is below that figure.

There are, of course, still problem areas, such as in Africa (notably Nigeria), Vietnam, Latin America and some countries in the Middle East. As one underwriter pointed out: "Getting money out of Nigeria is going to be difficult." There is also quite a lot of exposure in Iraq which, it appears, has good long-term prospects, although things will be difficult in the short term.

As far as Latin America is concerned, the market has been reducing its exposure, because the risks involved in trading there have long been evident.

Mr Brownlees identified several areas of growth in recent years. His firm does only 15 per cent of its business with UK companies. He said that US business was increasing as its trade rose on the back of the weak dollar, and that West German companies were also coming increasingly to the market for its expertise as, in the face of the high Deutsche Mark, they were looking more to Third World countries for business.

Another market expert, however, felt that the Germans were relatively conservative in the export field, and were unfamiliar with the private insurance market. However, he added that they were seeing it increasingly as an alternative to Hermes, the national export credit agency.

Mr Brownlees also pointed to the Japanese exporting companies which, having come to terms with the effects of the high yen, were also more evident.

As for the Export Credits Guarantee Department, the UK agency, private industry experts said that they did not consider themselves to be in competition with it – indeed, in volume terms alone, it would be hard, because private-sector volume is only a fraction of that of the department. Rather, the services they provide are complemetary.

In fact, one said that exporters used the private industry as a stick to beat the ECGD; while another noted: "We don't compete with the ECGD – their pockets are too deep."

He viewed the national schemes as largely inefficient, because they were driven not by strictly commercial considerations but by those of national policy. He added that many had a "local content" problem – the goods insured had to originate from the agency's own country. This, he maintained, was a major flaw, because very few capital goods were made up entirely sourced in one country.

Some in the private industry saw a marked improvement in the relationship with the ECGD. "They've even rung me," said one underwriter.

An underwriter who was largely critical of the way the national agencies operated suggested that they and the private sector might collaborate more closely in certain areas. Such co-operation might, for instance, take the form of the national agency's underwriting private company business. In such transactions the private company would be at the sharp end, which, he maintained, would reduce red tape and so speed up deals.

The desirability of such co-operation is, however, by no means universal. Some forms of countertrade are also a matter of contention. One broker described it as a lot of talk and very little action.

The smaller deals appeared to be favoured by the industry, and it was generally held that anticipatory credit, whereby the importer pays before receiving the goods he has ordered, was a growth area. Such deals are common, for example, with South America and Mexico.

Mr John Hegeman, regional manager for political risks at American International Underwriters (UK), points to the increasing sophistication of packages, such as variations on whole turnover cover and catastrophe cover, offered in a market which is hungry for premiums.

Exporters are seeking more flexible policies, which increase the amount covered and reduce the period of time that has to elapse before a claim is made.

But if exporters are making demands on the insurer in this sector, the industry is mindful not only of the buyer's but the seller's performance, in that they look for a good track record and strong mangement. A company with a bad track record is one mine the industry is very careful to avoid.

Bob Vincent

Aircraft finance

Banks hasten to fill the tax gap

THINGS SELDOM stand still for very long in the world of aircraft finance. From being a business dominated by subsidised credit provided by export credit agencies, it became one where the cheapest financings were provided by exploiting different tax regimes. Now, tax-based financing is on the wane.

The fashion for government subsidy has been in decline since the beginning of the decade, and governments subsequently acted also to fill the tax loopholes which allowed airlines to win extremely attractive financing terms.

"One by one, tax loopholes are being closed. You can still structure cross-border financings to advantage, but the benefits are nowhere near as big as they used to be. There used to be savings of several percentage points with these sort of deals, but not any longer," says Mr Thomas Feltham, senior vice president in National Westminster Bank's aerospace division.

Japan's Ministry of Finance is now reviewing a plan which could mean the end of the Japanese leveraged lease, which provided some of the most aggressively-priced financing won by airlines in recent years. The final outcome of the deliberations is not clear at the time of writing, but it seems inevitable that the scope of such deals will, at least, be severely reduced.

Some tax-based leasing financings are still possible in countries such as France, West Germany and Ireland, but the capacity, compared with estimates of aircraft demand, in coming years is very modest.

A Boeing 747 financing was agreed by British Airways

Commercial banks have not been slow to fill the gap. With shaky markets in shipping and in oil, aircraft lending has provided about the only option for banks which want to be in the asset finance business.

The traditional theory of asset finance is that it provides a double guarantee against mishap: the corporate guarantee and, failing that, a call on the aircraft. In this respect, bankers have been encouraged by the stability in recent years of the secondary market in aircraft.

This has become even more important, since banks have also provided guarantees to take back aircraft from airlines. This can usually occur at certain "windows" — say five, seven or 10 years — but it increases the potential exposure of banks to the vicissitudes of the second-hand aircraft market.

This was part of a big scramble for business among banks, which brought a number of very finely-priced deals to market. "Every bank thought it should be in airline finance, and as a result supply and demand got out of line," says Mr Ian Spight, head of aerospace and shipping at Midland Bank.

This resulted, many bankers argue, in a lack of sufficient credit differentiation, an overexposure to the aircraft market, and in an inadequate ratio of return to risk. Margins were shrinking and the deals were becoming more complicated.

Signs of a possible end to this trend were signalled around the middle of last year. International Leisure Group, which operates Air Europe, had negotiated itself a deal almost identical to a Boeing 747 financing agreed earlier by British Airways. GPA Group, the international airline leasing company based at Shannon in Ireland, has also negotiated a $1.5bn financing to buy Boeing 737s. Both deals were underwritten by leading banks, so the finance was sewn up, but syndication, particularly for the GPA deal, was slower than expected.

"Since the middle of last year, people have started to become more cautious. It's a cyclical industry and it's been on the up for a long time," says one senior aerospace banker. "I think the market has cooled. We banks can't underwrite the whole of the aerospace industry, and that was the way it was going."

In the words of another: "We can only hope that it's taking us back to banking rather than pawnbroking."

Nevertheless, the volume of projected business means there are plenty of banks waiting in the wings if the current leaders drop out of the picture. Several forecasts suggest that airlines buy 200 aircraft a year for replacement alone; and with expected needs for fleet expansion, the industry could turn over $14bn a year until the end of the century.

Export credit agencies are reacting, too, to their shrinking share of the airline finance business, by adopting a more market-oriented approach to their business.

The Export Credits Guarantee Department in the UK, for example, expects this year to widen the choice of financing options it can offer:

■ It wants more business in future on a leasing basis. Its ability to finance airline sales to many, especially developing, countries has been restricted by country limits. Its new proposal would mean that it would be able to set against country limits only that portion of the aircraft that could not be recovered in the second-hand market.

For this to work, it also requires that asset-based financings continue to be excluded under reschedulings of the Paris Club of western creditor governments. The UK is optimistic that a move to bring asset finance into such reschedulings will be defeated.

■ It aims to extend insurance coverage, in case of an aircraft's confiscation, from the three years currently provided by Lloyd's, to 10 or 12 years. The ECGD would effectively take on to its own books the risk of providing coverage for the last seven to nine years of the financing.

■ It hopes to extend the maximum maturity for credit terms from the current 12 years, to 15 or 18 years. This move must be agreed under LASU rules — the Large Aircraft Sector Understanding of the Organisation of Economic Co-operation and Development. It is a proposal which has the support of the US and a number of other countries, and it could be in force by the autumn.

There are also plans to change the LASU rules to simplify the extraordinarily complicated process of setting interest rates applicable to export credit backing airline sales. Changing the premium system, which calls for a half percentage point to be added to the interest rate irrespective of the quality of the credit, is also under active consideration. The aim would be to follow the practice used elsewhere to charge a front-end fee for arranging the transaction.

Further ahead, the ECGD is studying ways to use the capital markets to provide low-cost financing which does not contravene LASU rules.

Stephen Fidler

Build, own, operate, transfer: **David Barchard** on the 1980s way of project finance

When Boot can provide the spur

PROJECT FINANCING in the mid-1980s is dominated by a concept unknown a decade ago – "Boot", or "Build, own, operate and transfer."

After some hesitation from export credit agencies and the banks, Boot is being applied in a wide range of infrastructural projects, including the Eurotunnel linking Britain to the Continent, power stations in Turkey, the North-South highway in Malaysia, and the Hong Kong Cross Harbour Tunnel.

Each of these projects is being carried out by a company or consortium which has made an arrangement with the local governmental agency to construct and operate it for an agreed period. A decade ago the government would simply have hired a contractor to do the work for it. Finance would have been found by the government, probably through a bank loan; and ownership of the project would have remained with the government.

Why are things being done differently now? There are several explanations.

■ Developing countries with high burdens of sovereign debt are no longer eble to finance major projects in the way they could in the 1970s. But they still want to build power stations, harbours, roads, and other big infrastructural projects. International contractors and banks also want to keep something like the 1970s market going.

■ International organisations, like the World Bank and the International Finance Corporation, also want development projects to go ahead. But they are eager that they should be more efficiently managed and that the mistakes of the 1970s, which helped create chronic LDC indebtedness, should be avoided.

■ Governments in industrialised countries such as Britain now believe in privatisation and keeping investment in infrastructure off their balance sheets wherever possible. Boot is one way of doing this.

Some bankers believe that Boot will in fact only work in advanced industrial countries like Britain, and are sceptical of its chances in developing countries that have severe balance of payments problems.

"Whether they call it a sovereign guarantee or a treasury guarantee," says Dr Martin Knight, of BKR, a London-based finance house, "what is being offered is a foreign exchange availability guarantee, but that is only as good as the country's long-term foreign exchange position itself."

Fears of this kind may be among the obstacles holding up one of the largest Boot projects, a 1,200Mw coal-fired powerplant to be built at Gazi on the Turkish Mediterranean coast by a consortium led by Sea-pac of Australia for $1,200m.

Though the contract was awarded to the consortium last October, financing has still not been completed, and the Queensland Government has had second thoughts about becoming an equity partner in the venture.

However, even if the Gazi deal does not go ahead, Bechtel are likely to press forward with a similar project based at Takirdag, near Istanbul; and the Electrical Power Development Corporation of Japan (EPDC) is heading a third consortium which may build a plant at Aliaga, on the Aegean coast.

The World Bank has encouraged three Boot plants with a total output of 1,340Mw in Pakistan to be built by Xenel Industries of Saudi Arabia, Northern Industrial Development Corporation of the UK, and a local subsidiary of Bechtel of the US. In this case, the World Bank may put up between 15 and 20 per cent of the total project cost.

Turkey would like to apply the Boot model to intercity highway projects around Izmir, port development, and hydro-power schemes.

Variants on Boot are already working at the Bintulu LNG plant in Malaysia, as well as at projects in Indonesia and New Guinea.

"The real change is that Boot has become synonymous not with countries with favourable balances of payments but with those that can't raise money on their own balance sheets," says Martin Knight.

Each project has to be negotiated afresh, for there is as yet no standard set of terms to cover the risks involved in Boot. Turkey thrashed out long and complicated escrow arrangements with the US Eximbank in the course of formulating its model.

These satisfied Eximbank, but apparently have yet to win favour with the markets.

As a result, firms chasing Boot project contracts have to be prepared for a long, hard, and expensive struggle. Sea-pac reports having spent $30m in the quest for the Gazi contract.

Martin Knight believes that this will have major long-term implications for the market. "In the past, balance sheet strength has not been a major consideration for a contractor chasing an infrastructural project," he says, "but with Boot, the identities of the chasers will change. The smaller contractors will get squeezed out.

"The advantage will pass to the multi-faceted trading companies, such as some of the Japanese sogashoshas or huge balance sheet combines. The smaller moderately funded companies won't be able to keep up. But targeted niche players should have a chance too."

Critics of Boot point to some of its drawbacks. The chief of these is that it is more expensive than conventional project finance. The electricity produced by the Boot powerplants will cost around 4 US cents per kilowatt to the Turkish Government, but to the end user it may be more expensive than existing energy sources.

Defenders of the system claim that the price differential will be insignificant, and that in any case the extra energy cannot be obtained through conventional project finance.

They also emphasise that having the providers of the finance actively involved in the project at all stages should spur profitability. "Some time back, we were offered a proposal to finance an energy project," says Adnan Kahveci, a Turkish minister of state who has worked on local applications of the Boot model.

"We said we were not interested in conventional project finance, but we might be interested in a joint venture, so could the lender do a feasibility study? They did – and reported back after a while that the project was unfeasible.

"I believe that if lenders had been more involved in the feasibility of the projects they were lending to, a lot of imprudent lending to developing countries would never have happened and the debt problems of LDCs would never have reached the proportions it has done."

Arguments of this sort are now widely used by bankers and contractors, and may lead to a gradual rise in the numbers of new infrastructural projects financed by Boot rather than traditional project finance.

What is more donbtful is whether or not Boot will work as a sort of panacea to give countries with shaky credit ratings access to finance that they could not have obtained in the usual way.

ECGD guarantees $100.5 loan for the USSR: Mr Don Twyford, director project group ECGD (right), congratulates Mr Andrew Seton, of Morgan Grenfell, on the signing of the guarantee for the loan to help finance the building of a polypropylene plant, at Budyennovsk. Mr Dennis Twist (centre) signed the premium agreement on behalf of the contractor, John Brown Engineers and Constructors, of Portsmouth.

Soviet joint ventures: problems include the repatriation of profits, and accounting procedures

West's caution may produce concessions

THE SOVIET Union's drive to attract Western companies into joint ventures with newly-liberalised Soviet enterprises is proving slow to take off, as potential Western partners remain unconvinced of the benefits.

About 30 contracts and more than 250 letters of intent have been signed between Soviet and foreign companies since the legislation authorising joint ventures came into force in January 1987. Of these, about 20 agreements are with Western partners.

Though they have expressed publicly their satisfaction with the results so far, there are signs that the Soviet authorities are disappointed with the cautious reaction from the West. They have loosened the original terms of the legislation in an attempt to meet some Western concerns about the viability of joint enterprises, and there are signs that further changes may be on the way.

A key element in curbing Western enthusiasm to date has been the heavy emphasis on the export of joint-venture goods by the Soviet authorities as the means by which the Western partner is to earn the necessary hard currency to repatriate his share of the joint enterprise's profits.

Under the legislation, profits could only be repatriated from export earnings, or to the extent that they provided genuine substitution for hard currency imports. But to many Western companies – particularly those involved in the production of consumer goods, high technology or equipment – the obvious attraction was the opening of a market of some 280m Soviet consumers and helping to meet the demands of a modernising Soviet economy under the reforms introduced by Mr Mikhail Gorbachev, the Soviet leader.

Soviet officials are now said to appreciate that the initial emphasis on export was over-ambitious, both in terms of the Western partners' aims and of the generally low quality of Soviet industrial and consumer goods.

Many of the joint ventures already in place, or due to come on stream in the near future, are aimed at the Soviet domestic market, but with potential for export later. Fata, the Italian refrigeration manufacturer, recently signed an agreement to produce refrigerators, with 90 per cent initially destined for the Soviet market but with the proportion of output due to go for export planned to increase. Similarly, Salamander, the West German shoe manufacturer, concluded a second joint-venture agreement to produce 3m pairs of shoes a year by 1990. Again, most will go to the domestic market initially.

Soviet officials stress, however, that the authorities are not obliged to buy joint-venture goods, and that those goods that are sold in the Soviet Union will in most cases be paid for in non-convertible roubles. It will then be up to the Western partner to negotiate with the Soviet ministry responsible for the sector in which the joint venture operates for his share of the profits in hard currency.

Under recent reforms of the Soviet foreign trade system, an increased number of ministries and related state organisations has direct foreign trade rights and access to hard currency.

Repatriation of profits is only one problem cited by Western diplomats and businessmen in considering joint ventures with the Soviet Union. Another concerns accounting procedures.

Under the legislation, auditing is to be done by a Soviet auditor, with the possibility of participation by a Western firm of accountants. There is now provision for a parallel audit to be prepared by a Western firm. Soviet auditors do not make provision for such features as stock costs, research and development or depreciation; and Soviet tax law does not make allowance for carrying forward losses.

Other potential problems raised by Western companies have more to do with the practical difficulties of doing business within the rigid confines of the centralised economy.

Although the joint venture will operate outside the scope of the Soviet plan, it will not enjoy privileged access to raw materials, spare parts, energy or other supplies. These will have to be purchased from the same tightly controlled sources as Soviet enterprises; but, unlike domestic companies, joint ventures will in most cases have to pay for them at prices that reflect world prices, without the heavy subsidies available to domestic industry.

There are also potential problems with the vastly differing management practices employed to the Soviet Union, particularly in areas such as labour relations where the sacking of individual or surplus workers is virtually unheard of.

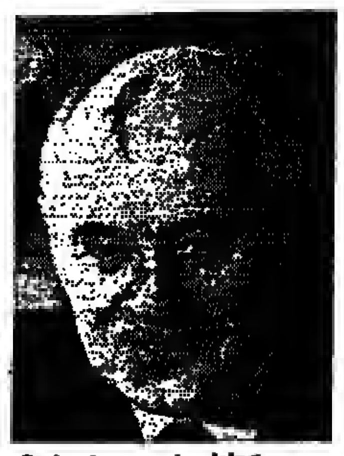
Despite all these difficulties, however, many Western businessmen and diplomats feel that it could be advantageous for Western companies in the longer term to show willingness at least to discuss joint ventures with Soviet enterprises.

Some countries – particularly traditional trading partners such as Finland, West Germany, France and Italy, and more recently Japan – are showing keener interest to joint ventures than others, such as Britain and the US. There is a feeling among some officials that countries which show enthusiasm for joint ventures will find themselves in a better competitive position for traditional trading contracts in future.

"It's a way to get a foothold," said an executive with a leading West German diversified company. "If you stay out, others will come in, and that means they will have a competitive advantage in the future, because the Soviets will talk to their existing partners first."

Soviet officials deny that any pressure to consider joint ventures is being put on Western companies that wish to trade with the Soviet Union. "We think it is a bad thing for people to concentrate solely on joint ventures to the exclusion of traditional forms of trading," said Mr Yuri Dremov, head of the joint ventures department of the Soviet Foreign Trade Ministry.

It is clear, however, that the Soviet authorities are firmly wedded to the idea of joint ventures. They are seen as making an important, if limited, contribution to the economic reforms being introduced by Mr Gorbachev. One central aim of these reforms is to reduce the country's ditional dependence on imports of Western machinery and equipment, and to improve the international competitiveness of its own manufacturing industry. Joint ventures are seen as providing a short-cut to this end, as well as introducing Western high technology and up-to-date management practices.



Gorbachev: modernising

Moscow is also talking of extending joint ventures into the financial services sector.

Whether Western companies will be any more keen to respond to the Soviet call for co-operation will depend in no small measure on the extent to which existing joint ventures prove successful. It is also likely that the Soviet side will have to make further concessions to potential Western partners, particularly on the bottom line of profit repatriation, before they are prepared to take the plunge.

Charles Hodgson

OECD Consensus rules

Concern over mixed credits

IT IS now slightly over a year since the main industrial countries concluded a far-reaching agreement at the Organisation for Economic Co-operation and Development, to reduce the cost of subsidising official export credits.

The final plank of that agreement will be implemented in July, when interest subsidies on export credits to richer countries will be outlawed altogether, and a new minimum grant element of 35 per cent will come into force on mixed credits to all but the poorest developing countries.

The increase in the grant element on mixed credits, which are export credits sweetened with development aid, will take it from 30 per cent currently and 25 per cent before last year's agreement. It is intended to reduce the temptation for donor countries to use their aid to "buy" export business by making the process more expensive.

Mixed credit offers notified to OECD (SDR bn)

1982	3.8
1983	3.9
1984	5.3
1985	7.7
1986	6.4
1987	9.2

Source: OECD

As part of the agreement, the minimum grant on mixed credits to the least-developed countries was already increased to 50 per cent from July last year.

For most people in the export finance world, it is still too early to say how well the agreement is working in this respect; but, since it was struck a year ago, there have been signs of what is widely regarded as a disturbing trend for offers of mixed credits to increase, prompting concern that the whole agreement may eventually need to be revised.

Notifications of mixed credit offers to the OECD rose to the equivalent of SDR9.2bn last year, with no less than SDR5.4bn being lodged in the second half of the year after the agreement had come into effect. This compares with SDR6.4bn to 1986, and a figure as low as SDR3.8bn to 1982.

The present depressed state of the project market to the developing world makes it hard to read clear conclusions into these figures. One explanation could be that the increased offers simply reflect an attempt by donor governments to cast the widest possible net, in the hope of capturing at least some of the business that finally comes to fruition.

For Mr John Bohn, President of the US Eximbank, however, it clearly represents a more sinister trend. In Congressional testimony last month, he said it was too early to judge the effectiveness of the agreement, but that it was clear that mixed credits had not been eliminated.

Singling out specifically sharp increases to French and Japanese offers of mixed credits, he continued: "If this trend continues after the higher grant elements of the second phase of the agreement go into effect, US exporters will continue to be at a competitive disadvantage, and we may have to assess the impact of other countries' policies on US exports."

No one involved in the 22-nation OECD Consensus on export credits expects that radical modifications to the agreement will be possible in the short run. The agreement itself, which also involved complex technical calculations over how the grant element in aid was to be calculated, was bitterly fought over, and there is a general feeling of fatigue.

Moreover, the imminence of the French elections and the US presidential election later in the year mean that the time is not yet appropriate for detailed reform negotiations to start afresh.

However, officials believe that ideas for further change may begin to crystallise when the Consensus next meets, in Paris towards the end of the year. At its most recent meeting, late last month, its chairman, Mr John Coleman of the Canadian Finance Ministry, put forward a number of discussion points. Apart from the problem of mixed credits, these also ranged across anomalies that still exist with regular official export credits. Even when interest subsidies are outlawed to richer countries, they will still be permitted for middle-income and poor countries, but some argue that this gives an unfair advantage to those countries whose market rates are higher than the minimum set under the OECD matrix formula. These countries can still offer subsidisation as a carrot, but countries with lower interest rates cannot.

Instead they are able to offer a market-related rate of interest, known to the trade as the commercial interest reference rate (CIRR), which is basically calculated by adding one percentage point to the five-year government bond yield for the currency concerned.

Ironing out this anomaly could be tricky. High-interest countries argue that a complete end to subsidisation would be counter-productive, as it would make life even more difficult for debt-ridden developing countries. One possible quid pro quo raised at last month's Consensus meeting was that, to exchange for reducing this remaining subsidy, member countries could agree to lengthen the maximum maturities on export credits, which currently range up to 10 years for the poorest.

This again raises the question of the special export credit facilities for debtor countries, urged by Mr Bohn last year, but which met a negative response from several European countries. Some export credit officials say they now detect signs of growing support for longer maturities, although any agreement will still take a long time to materialise and would almost certainly not involve a limit as high as the 25 years proposed by Mr Bohn.

Such an agreement might help the UK which has been pressing, so far without much success, for an agreement to end maturity limits on credits to the richest countries now that subsidisation is being abolished altogether from June. Britain's Export Credits Guarantee Department wants such a change in order to promote export credit insurance in better quality markets and to help improve the balance of its risk portfolio.

Among other points raised by Mr Coleman at last month's meeting were:

■ The question of improving the exchange of information between export credit agencies about the availability of cover for countries that have had to reschedule their debts. This might help obviate competitive scrambles to restore cover, as well as improve available statistics on export credit flows.

■ The need to examine premiums and guarantee fees as interest subsidisation is phased out, to ensure that they do not become the focus of unfair competition between export credit agencies.

■ The problem of so-called "commercial windows", through which private or semi-private export credit agencies can offer credit at rates lower than that permitted by the Consensus. This could put official agencies, which are bound by the Consensus terms, at a disadvantage vis-à-vis competition in other countries.

It will take some time for the Consensus, which meets only twice a year, to weigh up all these issues, and the chances of speedy revision to last year's package are minimal. Equally, however, officials say that the agreement does not represent the last word on the subject. They now expect to work towards a further package of reforms some time in 1989 or 1990.

Peter Montagnon

Debt-equity swaps: the logic is clear but the technique is in its early days

Citicorp's decision may have been a turning-point

DEBT-EQUITY conversions, as a means of fuelling and funding developing-country project opportunities for western exporters, are gathering pace, despite technical complexities and institutional reservations.

They are emerging as a "salvage operation", says Mr Daniel Nash, senior corporate finance adviser at Mitsubishi Corporation, who foresees a major growth in the practice, assuming that banks increasingly accept that they are "not going to retrieve the money owed to them, and that debt-servicing will become increasingly disorderly."

For the exporter, Wimpey Project Finance's director, Mr Nick Harding, regards debt-equity swaps as a potentially "fruitful area" for mobilising equity participation in a developing-country project.

The theory of debt-equity conversions has an impeccable logic to it. It runs that banks, realising that, in many cases, they are not going to see loans repaid, will increasingly seek to convert them into equity in developing-country projects, via approved debt-equity conversion programmes incorporating attractive local currency mark-ups.

Alternatively, they may sell the loans at a discount to exporters, who themselves convert them into local funds via a swap programme which generates an appropriate premium level of local currency for mobilisation in local projects.

The result, either way, is a net reduction in developing-country indebtedness, a decline in bank exposure, cut-price access by banks and exporters into developing-country markets, and the fostering of productive capacity in countries with seemingly intractable debt problems.

So much for the theory. In practical terms, it is still very early days for the technique which Wimpey's Mr Harding puts at the "exotic" end of the project finance menu.

Still, Chrysler, Kellogg, Cocoa Cola, Saab-Scania and Eastman Kodak are among a growing number of major companies that have either completed or contemplated debt-equity conversions, principally within the framework of emerging Latin American programmes.

The process is awash with difficulties. Banks and exporters don't simply get together and self-start programmes. These can only be achieved with the help and regulatory approval of the host country government itself.

To date, only a small number of countries have enacted relatively limited debt-equity conversion programmes. Significantly, however, they include Latin America's two largest debtors, Mexico and Brazil, as well as Venezuela, Chile and Argentina. Others have been launched in Jamaica and the Philippines while, for example, Morocco is among those pondering programmes.

Moreover, early this year South Africa offered creditors holding frozen South African debt the opportunity to convert it into local equity in a move aimed at partly offsetting the impact of disinvestment.

To date, only a small number of countries have enacted relatively limited debt-equity conversion programmes

Among the more tangible achievements generated by debt-equity conversions in recent months have been project fundings in Argentina and Jamaica. In the former, the Campbell Soup Co subsidiary, Swift SA, funded the planned construction of a slaughterhouse and meat-processing plant via a $71m debt conversion.

Meanwhile, one Jamaican swap involved a Colorado agri-business firm, Western Agri-Management, accessing Jamaican currency at a substantial premium via a conversion operation in which Chase Manhattan participated. The firm wished to expand its vegetable production on the island.

Under the terms of the Jamaican debt-equity swap programme earlier this year, commercial banks sold loans at half their face value to buyers who collected their full value in local currency for use in funding projects on the island.

Apart from the need for officially-installed programmes that provide attractive local currency yields, another key constraint that remains is a lingering psychological hang-up of the banks themselves towards their developing-country loan portfolios.

In order to make loans available for conversion into local currency, or local currency-denominated equity stakes, they have finally to accept that the loans are not likely to be re-paid, that they are not worth 100 cents on the dollar, and move to meet the balance sheet implications of those facts.

In this respect, Citicorp's decision last year, to add a massive $3bn to its loan loss reserve, is regarded by many as the fundamental turning point in the way major banks regard their developing-country loan portfolios. The pretence that they are worth their book value is now being eroded. However, the extent to which this will affect the availability of loans for conversion programmes will, in no small part, reflect the ability of banks and their auditors to handle the bottom-line implications.

For banks that wish to participate directly in debt-equity conversions, there are other problems. Regulation K of the US Bank Holding Act, despite some amendments last year, places considerable constraints on banks investing in non-financial sector business. US bankers argue that this needs to be reformed, to allow them a wider range of equity investment possibilities.

Then there are the legal complexities of the deals themselves. According to legal experts, banks entering into debt-equity conversions must be careful not to generate a short-term advantage over fellow members of the syndicate with which the converted loan is associated. If, by virtue of entering into such a conversion, a bank gains a perceived short-term advantage over its former syndicate members, it could contravene the original loan agreement's *pari passu* clauses.

Meanwhile, in the debtor countries, an appreciation of the potential value of debt-equity conversion programmes is tempered by several factors, including the potential inflationary impact of creating the extra local funds to complete the process. Against this, the authorities have to balance the contribution the projects will make to the country's development.

Then there is the additional issue of nationalist sensitivities. The sight of foreign companies funding their participation in developing-country projects with cut-price local funds is not appealing to all shades of political opinion.

Alan Spence

Editor, International Trade Finance, a bi-monthly report published by Financial Times Business Information

Mr Daniel Nash: perceives a trend

Countertrade: the ECGD is looking at ways in which it might assist

Boom talk conceals circumspect attitudes

LAST MONTH countertraders of every denomination – exporters, bankers, traders – crowded into a small upstairs room at the Overseas Bankers Club behind the Bank of England, and over lunch established London's first Countertrade Round Table.

As a three-monthly talking-shop for countertrade professionals, the Round Table is scarcely a major event in City life; but its emergence, in the wake of others in a number of key centres, including Brussels and New York, is testimony to the countertrade fire-power now assembled in the UK.

There's only one problem: the targets are relatively limited and take some hitting. Countertrade is time-consuming, risky and still tends to be approached reactively by exporters.

Moreover, the UK Government is against any direct involvement by itself, and the Department of Trade and Industry advises extreme caution.

The Export Credits Guarantee Department, however, has been looking at ways in which it might assist with countertrade transactions by, perhaps, insuring countertraded goods against non-arrival due to political factors intervening. In other words, it might eventually insure coffee deliveries against delays due to a coup, but not against frost damaging the crop itself.

Despite all the talk in recent years of a countertrade boom and a move towards exporters harnessing the technique in a proactive manner – including, unsolicited, the submission of countertrade proposals – there are relatively few examples of companies setting out to countertrade themselves to business success. One notable exception, however, is a deal currently being finalised by CIM International, of Fareham, Hampshire, with the authorities in China's Hubai Province.

The deal is designed to generate some £80m in countertrade sales from a vegetable-canning factory, to be managed by CIM and built by Balfour Beatty at a cost of some £16m. Under the terms of the deal, CIM gets a management contract and is able to make a margin trading on the produce; while the latter process also guarantees that Balfour Beatty gets paid for its construction work.

Although there is an absence of primary countertrade business, a cluster of banks in the City, including clearers Lloyds, Midland and National Westminster, have established countertrade units. Banks assume a variety of roles, including that of adviser on deals and financial assistance to help them work. Such services are sometimes made available in association with the banks' other trade finance weaponry, particularly forfaiting.

One of the fundamental problems associated with countertrade has not changed, despite the higher profile given to the practice in recent years – goods and commodities (with the notable exception of crude oil) that are easily marketable for hard currency are generally not available for countertrade deals, thus often making the latter extremely difficult to construct.

In oil's case, special circumstances have prevailed. These include the substantial surpluses with which the market has had to contend in recent years, combined with the special circumstances confronting producers, including Opec production quotas and the acute foreign exchange requirements of Gulf War combatants Iran and Iraq.

One company specially constituted to advise on oil countertrade deals is Wimbledon-based Straits Petroleum. Its managing director, Mr Matthias Rapp, says that one key area with which his company is currently involved is helping Eastern European clients organise payments in oil for sales to the Middle East.

Straits Petroleum also recently set up a joint venture with the Iranian company Iran Countertrade Services, entitled Straits Multitrade. This venture will help to structure oil-based countertrade deals involving Iranian interests.

Among those countertraders prepared to take title to oil as part of a reciprocal trading arrangement, Atlantic Petroleum's Mr Clive Bateson is regarded by many as possibly one of the most active in London.

Meanwhile, the countertrading of goods for debt offers scope both to banks who want to reduce their developing-country loan exposure, and to Third World exporters seeking developmental markets. The process is peppered with problems, not least those potentially associated with *pari passu* loan syndication clauses which militate against a bank edging ahead of its fellow syndication members in the repayment/servicing stakes.

The other key difficulty that remains is doing business with lesser-quality non-traditional exports.

The Midland is pioneering a goods-for-debt approach in Latin America, where last year it signed a complex, innovative deal with Peru, designed to help the bank reduce part of its international debt exposure, but at the same time help Peru develop new export markets.

The pilot programme is aimed at recovering $8.8m in debts on a dollar-for-dollar basis from the sourcing in Peru of $24m of non-traditional exports by two local trading companies, Exco and Comyex, working on behalf of the Midland. The goods are then exported, utilising Midland credit lines and, when required, the bank's London-based countertrade team; with 40 per cent of the proceeds accruing to the Midland, and the remainder remitted to Peru. Here the Government effectively makes up the difference in local terms for the exporter.

According to the Bank's countertrade director, Mr Gilbert Nockles, contracts have been signed for over $5m worth of contracts, and "the bank has already got some recoveries". Though the complexity of the scheme has meant that it has taken some time to get off the ground, Mr. Nockles expects that $24m of goods will be sourced in the next 12 months, retiring the targeted $8.8m of debt.

First Interstate of California is implementing a similar deal in Peru, while a host of banks, including First Chicago, have been negotiating to do so with the government.

Should such schemes prove workable, they could lead to banks becoming directly involved in manufacturing industries in developing countries. For example, some bankers think there could be some mileage in converting non-performing loans into equity stakes in manufacturing ventures, partly with a view to generating export-orientated products to be used in debt-repayment schemes.

Undoubtedly, whether by banks or exporters, offsetting investment in client countries, as a means of generating export sales (or in the banks' case, repayments), looks likely to become an increasingly important feature of trade with developing countries.

"I perceive this trend occurring," Mr Daniel Nash, senior corporate finance adviser at Mitsubishi Corporation, who was recently installed as the Japanese company's senior corporate adviser covering alternative trade finance techniques.

Offset techniques were pioneered after the second world war, to help promote US military sales to Europe and elsewhere. Since then, offset investments geared to primary export sales have been linked mainly to major defence and aerospace sales (most dramatically in the recent past in the case of Boeing Awacs sales to the RAF) between industrialised countries. This could now well be changing, with offset investment, involving technology transfer, possibly becoming an increasingly important condition of civil supply sales and project contracts.

For countries like China and India, the key attraction of this approach is that they would use import leverage to boost their longer-term hard currency-earning capacity by triggering investments which have the added bonus of enhancing the buying country's technology base.

Arguably, newly-emerging joint venture laws in the Eastern Bloc, particularly in the Soviet Union, could also provide an encouraging operational and legal framework in which exporters could endeavour to boost sales to Comecon countries by linking them to offsetting industrial investments.

Alan Spence

The forfait market

London succeeds Zurich as the European centre

WHAT HAVE footballer Sammy McIlroy, a new Cyprus hotel complex and bull sperm got in common? All have recently been the subjects of transactions funded by forfaiters – respectively Lloyds, the London Forfaiting Company and National Westminster.

In many respects forfaiting remains a minority means of funding export deals; figures are difficult to come by, but less than 1 per cent of world trade is thought to be funded in this way. In East-West trade the figure is much higher: indeed, a rare statistical study by the OECD last year showed Eastern European business accounting for around one-third of an overall forfaiting market estimated by the Paris body at around $20bn.

That said, forfaiting's appeal seems to be spreading – as evidenced by the diversity of the above examples. Other recent deals include a DM16m, five-year financing of DAF truck sales from the Netherlands to Ethiopia by National Westminster, and London Forfaiting Company's increasing support for UK capital equipment exports, particularly in the textile machinery sector (LFC has a sales office located in Rochdale).

Forfaiting has a number of merits. It involves the provision of up to 100 per cent finance (against the usual 85 per cent maximum funded by official export credit agencies) at a fixed interest rate on a non-recourse basis, usually over the medium term, though shorter-term deals are becoming more common. It also obviates the need for sometimes cumbersome negotiations with export credit agencies.

Deals are relatively time-efficient to set up, usually conforming to a set structure, involving the provision of an irrevocable aval, or guarantee, by a bank, against which the forfaiter has recourse in the event of the importer defaulting on payment on presentation of the bill of exchange or promissory note. It is this aval which allows the forfaiter to discount the exporter's paper on a non-recourse basis.

In many cases forfaiters hang on to the risk themselves, presenting the documentation for collection when due, with the exporter's discount representing the forfaiters's risk income, plus the financing charge. National Westminster's forfaiting manager, Mr David Cooper, for example, envisages that the bank will be retaining its Ethiopian DAF truck paper to maturity, though the bank is nevertheless increasingly laying off risk in the secondary market.

Mr David Cooper: "a big opportunity for forfaiting"

On the other hand, primary forfaiters will also relinquish a substantial tranche of their risk exposure into the secondary market. This is, in part, a function of the size of the risk. When Midland Bank Aval, for example, recently organised a $30m, one-year Tunisian financing to fund sulphur purchases, all the paper was placed in the secondary market.

Apart from bringing primary deals to the market, many forfaiters very actively buy and sell paper in the secondary market, an activity which boosts overall liquidity for funding exports.

Forfaiting grew after the second world war, partly to help fuel exports of West German goods to Eastern Europe. And indeed, according to London-based Hungarian International Bank's assistant director (forfaiting and loans), Mr Denis Keenlyside, West German exporters of capital goods remain the single most important group of exporters on the bank's books. While most forfaiters agree that there is increasing interest in the technique among UK exporters, Mr Keenlyside expects "a long haul in educating people in the UK".

The difference between UK and European exporter attitudes to forfaiting is partly cultural and partly practical. There has been no significant forfaiting tradition in the UK, while in Italy, for instance, the practice has been actively encouraged by the availability of government subsidies to support deals.

Specialist forfaiting houses are few in number, and these days their activities have become centred in London, taking over Zurich's old role as Europe's forfaiting centre. The emergence of London not only reflected the City's traditional interest in funding trade, but also stamp duties payable on Swiss-based transactions.

In a market that is highly competitive, comparative volume figures are not universally available. However, London's leading specialists primarily include Hungarian International Bank, London Forfaiting and Midland Bank Aval. A more recent arrival has been Kaines Forfaiting. Beyond this group, a broad number of banks, including clearers National Westminster and Lloyds, have their own forfaiting units. US banks involved in the practice include Chase Investment Bank and Citicorp Investment Bank.

The criticism is sometimes voiced that the secondary market is not the trading market which some of its participants claim; that difficult risks take time to place and may only be accepted by forfaiters when they themselves have worked out where they will lay off the paper.

However, Hungarian International's Mr Keenlyside, for example, says his bank will quote on the spot for a wide range of countries in Eastern Europe, the Middle East and the Far East, and occasionally will handle more exotic risks, such as Argentina, Colombia and Libya.

"We try to encourage people to come to us with any risk – Taiwan, China, Bulgaria – we would like to see it," says Mr Keenlyside.

Kaines Forfaiting, run by Mr Peter Elliot, is among those forfaiters looking to apply new angles to forfaiting. Mr Elliot says that Kaines, for instance, is increasingly seeking to carve out a niche by integrating forfaiting techniques into aircraft leasing. Simply put, the lease payments are forfaited. Other forfaiters are, for example, increasingly specialising in funding commodity transactions.

To what extent UK exporters will turn to forfaiting to fund sales is unclear. Much could depend on the sales tactics of the primary forfaiters, though, clearly, the 0.50 percentage point increase in Consensus rates last January is enhancing forfaiters' competitiveness.

Moreover, mid-year officially-subsidised finance for Category 1 countries (including the Soviet Union) is scheduled to be removed – a development that could further boost the technique's attraction. This is seen as "a big opportunity for forfaiting generally," according to National Westminster's Mr Cooper.

Alan Spence

Profile: Mike Pawluk, of Grumman

New era in offset foreseen as more requests come in

"YOU HAVE to be responsive to the demands of the country, but you have to be realistic." These are the key considerations in the mind of Mr Mike Pawluk, when he tackles an offset programme for US aerospace corporation Grumman.

Mr Pawluk is Grumman's manager in charge of countertrade and offset programmes, and has good reasons for being both responsive and realistic. The aerospace business is keenly competitive; but, as he says, "offset costs".

The origin of modern offset dates back to the post-war period, when US defence suppliers offered their European and other clients co-production and technology transfer deals in order to help secure sales.

Until recently the practice had been inextricably linked to defence-related business between industrialised countries – indeed, Grumman's first taste of offset came in the mid-1970s, when Canada demanded offsets for a proposed sale by Grumman of F-14 fighter aircraft.

Grumman operates cheek-by-jowl with clients, sending in teams of experts to establish requirements

But the location of Grumman's three currently active offset programmes, in Korea, China and Singapore, is testimony to the fact that developing countries are now moving rapidly into the offset game, using major import contracts as a means of levering collaborative ventures out of the seller, hopefully with a strong element of high technology transfer.

Mr Mike Pawluk: "offset costs"

According to Mr Pawluk, who joined the company from the US's General Electric Co around a year ago, Grumman's three active programmes involve the company in offset obligations in excess of $200m. The value of Grumman's programmes varies between 20 and 50 per cent of the primary sales contract value. In Korea, the Government usually asks for offsets of around 50 per cent of the value of the contract.

Mr Pawluk, veteran of a legendary Romanian nails countertrade deal during his years with General Electric, is not keen on talking about the precise content of offset programmes, given the aerospace industry's eyeball to eyeball competition.

However, Grumman's involvement with Singapore gives a flavour of the type of offset business the company is prepared to organise in support of a sales contract – in Singapore's case, the sale of Grumman E-2C Hawkeye air early-warning aircraft. Here, as part of a $45m industrial co-operation programme on the island, Grumman has established a computer-assisted design and manufacturing centre at the Nanyang Technological Institute.

The company is also no stranger to sourcing products from a buyer country. When Israel bought E-2C Hawkeyes from Grumman, the company sourced a cluster of products from the country for use at its new headquarters in Bethpage, New York. These included computer-room flooring, office chairs and carpeting.

On another occasion, when the company marketed the services of Europe's Ariane space launcher to US companies, both Grumman and other US companies imported countertraded machine tools.

Mr Pawluk says that offset may now be moving into a new era. Companies like Grumman are encountering more offset requests – requests which also involve a higher percentage level of offset. Moreover, while it was traditionally the mature western economies which pushed for offset programmes, developing countries are now increasingly requesting offset-based technology transfer agreements.

Many offset experts argue for both exporters and their buyers to maximise their gains from offset programmes; their efforts will have to be more closely integrated and the discharge of obligations more performance-linked. One firm of offset specialists, the ATL Offset Development Corporation, of Miami, Florida, run by Mr Stanley Cotton, for example, recently developed a "shared risk" offset programme management technique, whereby the exporter and the buyer jointly develop and implement an offset programme. It also involves the granting of offset credits linked to pre-targeted performance criteria, such as hard currency generation.

Grumman already operates cheek-by-jowl with its clients, sending in teams of experts to establish both requirements and opportunities. "We are enthusiastic about offset," says Mr Pawluk, who views it as "an opportunity rather than a burden." All the same, "there is a cost that affects your bottom line"; and this has to be taken into account when assessing potential programmes, whether joint ventures, licensing agreements or, for instance, export development for the buyer.

One difficulty in overseas sourcing as part of an offset programme is that "you've got to be assured that you're getting Grumman-specified quality".

As Grumman's offset manager, Mr Pawluk has to liaise and negotiate with a very broad number of officials, from Grumman's own legal, technical and financial people, to buyer country ministers, the buyers themselves, military officials, as well as various government officials back in the US itself.

Constructing and managing offset programmes is a multi-disciplinary occupation

In many respects, constructing and managing offset programmes is a multi-disciplinary occupation. And all the time the offset manager is making "low cost, low risk opportunity assessments," he says.

Offset also calls for great patience. "There is a frustration level," says Mr Pawluk. "You go after numerous programmes . . . [but] many programmes die."

Alan Spence

EXPORT FINANCE 7

Eximbank is cutting its cloth to fit shrunken demand

More efficient but client companies are smaller

DURING THE seven years of the Reagan presidency, the US Export-Import Bank has undergone a major transformation shaped by the debt crisis, congressional demands and the US budget deficit.

Gone are the heady days of the "development decades", when the bank spent billions to help finance US big business contracts for mega-projects in the Third World. Debt has sapped demand, so that the current bank is smaller, and so are its domestic clients. Its loans and guarantees fell from $12.8bn in 1981 to $5bn in 1986.

US exports are picking up now, but exporters are facing a severe financing squeeze. American commercial banks – still wary of any developing-country lending – have been evacuating the export credit business in droves. Eximbank has cut its cloth to fit the shrunken demand and the exigencies of the US budget. Its allocation for direct loans was cut from $3.8bn in fiscal year 1985 to $677m in fiscal 1987.

In fact, Eximbank's cupboard is so nearly bare that, of the $690m available for loans in fiscal 1988, about two-thirds has already been authorised. Bank officials believe they have enough in the budget to handle the "normal volume" of small and medium-sized loans, but they cannot service larger projects without exceeding the authority for loans granted by Congress.

The Administration has requested only $705m for fiscal 1989. If it appears that the bank will run beyond its budget for this year and next, it will have to curtail lending and use direct credit only when necessary to counter subsidised financing by foreign export credit agencies, says Mr John Bohn Jr, Eximbank's chairman.

American manufacturers are bitter about the lack of support. Mr John Hanna, Director of Brown and Root, an engineering and construction company, speaking at a recent seminar, grumbled that Eximbank's budget was "a total disgrace". He did, however, have praise for the far-reaching reforms of the bank's programmes, initiated under the capable guidance of Mr Bohn.

Mr John Bohn Jr: his reforms have won praise

Foremost among these changes is a new system under which the bank charges higher fees for riskier loans, thus enabling it to remain open in shakier markets. Having liberalised cover policies in 65 markets, the agency is closed in only 15 for credit reasons, and in 27 in accordance with the Congress-imposed limits on doing business in "Marxist-Leninist" countries.

To increase liquidity available for export financing, the bank is making all of its guaranteed obligations fully transferable to a secondary market. Unfortunately, according to Mr Bohn, the originators of the paper are so far mostly holding on to it. However, the Private Export Funding Corporation (Pefco) has announced that it is prepared to purchase medium-term paper in the event of otherfinancial institutions being reluctant to because of "the novelty or the limited supply of the paper at the outset".

To facilitate sales of the paper, Eximbank has made its guarantees comprehensive and unconditional, with fees payable up front and valid for the life of a transaction. Commercial banks can therefore get a 100 per cent guarantee of a principal 95 per cent for a medium-term transaction involving a private buyer) and most of the interest guaranteed.

Unable to help the US budget deficit, Eximbank made other departures from the past in its effort to secure financing for American business. In a joint venture with Standard Chartered Bank, it agreed to guarantee $100m worth of political risk for lending through Standard Chartered facilities in Kenya, Cameroon, Ghana and Zimbabwe.

In another deal with Turkey, it established an innovative $100m medium-term lending facility with financing to be providing by five big US banks – Chase Manhattan, Citibank, Irving Trust, Manufacturers Hanover and Bankers Trust. Eximbank guarantees 85 per cent of the $100m credit line. The Turkish Government, lending the money through its own commercial banks, takes the exchange-rate risk.

Prodded by Congress and the reality of the shift in market demand, Eximbank is focusing much of its expertise and resources on boosting exports from small and medium-sized firms. Under a city/state pilot programme, launched last year to provide financing to local business through offices in California, Maryland and Massachusetts, as well as in Columbus, Ohio; Tucson, Arizona; and Los Angeles.

Through its working capital guarantee programme, it has approved about 150 transactions since 1983, totalling $176m, for the sale of lumber products, machine tools, oil and gas manufacturing equipment and audio-visual equipment. China accounts for about one-third of the business, and demand is growing. In the first quarter of this year, the bank approved 20 projects totalling about $23m.

While the bank has concentrated its efforts on smaller businesses, Mr Bohn sees a glimmer of light at the end of the tunnel for project lending, particularly in Chile and Mexico. But Eximbank will be hard pressed to take advantage of these opportunities without an increase in its budget.

The Administration has even been forced to abandon the "war chest" with which it was to fight the practice (most commonly used by France and Japan) of mixing foreign aid credits and commercial financing. Congress approved $210m for the battle, but Eximbank has found a home for only $78m of that, and says next year it needs no new funds for the "war on mixed credits".

Eximbank has other worries beyond the frugality imposed by the budget deficit. As a result of subsidised loans made in the late 1970s, it has been slowly draining its reserves. Since 1983 the agency's equity has plunged from $3.2bn to $1.3bn, so perilously close to trouble that many in Congress believe the bank should be recapitalised – if it could only be afforded.

At this, the Reagan Administration has balked; and Mr Bohn has acknowledged that "the sad fact is, there simply isn't any money available in the budget".

Besides, he said, Eximbank may well recover without a new infusion of government funds. Its loans over the past few years have been at rates higher than their cost of borrowing, a reversal of the late 1970s and early 1980s situation.

The bank may turn itself around, Mr Bohn told a House Banking sub-committee, but probably not before the turn of the century.

Nancy Dunne

Trade finance in Japan

Importing to cut surpluses is now the official goal

JAPAN'S EXPORT insurance is the largest in the world. Since the Export Division of the Ministry of International Trade and Industry was started in 1950, the Government has written 15m insurance contracts worth Y160 trillion (million million) in total.

It has been a strong helping hand to the country's exporters, one that Japanese firms' foreign rivals have long believed gave them an unfair extra push.

Yet in Japan it is not the fashion to talk of export insurance any more. Since last October, import insurance has been the name of the game. The sign on the door of the relevant department at the ministry has been changed to Export-Import Insurance Division, instead of Export Insurance Division.

The business it is in, its officials make a point of saying, is trade insurance, not export insurance. In Japan, importing to cut the country's trade surpluses, not exporting to boost them, has become the official goal. So, too, has finding innovative ways of recycling its current-account surpluses, particularly to developing nations.

Like much in Japan, there is still more talk than action at this stage. It was only last October that 37 years of export promotion through the use of export insurance were pulled up short, and the emphasis swung through 180 degrees.

One scheme was introduced to cover prepayments for imports, should an exporter to Japan fail to deliver goods a Japanese importer had paid for in advance. Another was started to cover exports from another country to a third country being made through a Japanese intermediary. Both schemes will cover up to 90 per cent of losses incurred because of war or political disturbance, and up to 80 per cent of those incurred because of commercial risks.

A third measure was the expansion of overseas investment insurance, from covering losses due to war or public disturbance in some countries to include up to 40 per cent of losses incurred through bankruptcy of the foreign partner.

The Government provided Y1 trillion to finance these new schemes up to the end of the financial year ended March 31. This was broken down: Y450bn for prepayment import insurance; Y250bn for intermediary trade contracts; and Y370bn for overseas investment.

However, by the end of February there had been no investment contracts written for overseas investment insurance (for which the premium is a hefty 1 per cent) and only 10 for pre-payment import insurance. Intermediary trade insurance has been a mite more successful: 100 contracts by the end of February. The total value of all three sorts of insurance was barely more than Y1bn.

In contrast, in fiscal 1986 the then Export Insurance Division wrote 571,000 policies covering exports, and had liabilities outstanding of Y11.7 trillion. Officials at the Export-Import Insurance Division talk of the import-promotion schemes taking off once they are better known, but there is little hiding their disappointment that they have not done better so far. They know that they need bigger numbers than that to flout before the international community.

So Miti is keen to expand its new trade insurance schemes further. The Government is looking to find any ways to flesh out the $30bn recycling scheme that was promised in outline at last year's Venice summit by the former prime minister Mr Yasuhiro Nakasone, but which left many bureaucrats believing he had conjured the number out of thin air.

They would like to have firm proposals for Mr Nakasone's successor, Mr Noboru Takeshita, to take to this summer's summit in Toronto, where Japan is sure to be pressed to do more to recycle its surpluses and share the burden of supporting Third World debt, particularly in Latin America and the Philippines.

One proposal is a "high risk" investment insurance scheme to expand the overseas-investment insurance further, to cover private direct investment in Third World debtor nations such as Mexico, Brazil and the Philippines. The Miti minister, Mr Hajime Tamura, has said he hopes such a scheme could be introduced for fiscal 1989. The existing one effectively covers political risks in unrisky places such as Europe and North America, though commercial cover is available for the wider range of developing countries.

Japanese officials hope this will encourage the flow of hard currency into debtor nations to make debt repayment easier. They are also considering expanding the scope of trade insurance to include new money from financial institutions to debtor nations that are unable to meet import payments.

Japanese banks have been reluctant to become involved with refinancings because of the risks involved, though they have also been playing cat-and-mouse with the Government to get increased their tax-breaks on provisions they make for bad Third World debts. A parallel private-sector insurance scheme, led by the non-life insurance companies, has also been proposed which would cover the outstanding proportion of the new money not covered by the Government's trade-insurance schemes.

The change of emphasis on trade insurance is mirrored in Japan's other agencies, which in the past have been a part of Japanese deployment of aid to boost its own exports. At the Export-Import Bank of Japan, which falls under the control of the Ministry of Finance, export credits have fallen to just 20 per cent of its total lending, while the share of concessional lending is growing. It now promotes the export of Japanese capital goods, rather than of manufacturers.

The Export-Import Bank's neighbour in the same building in Tokyo's banking district, the Overseas Economic Co-operation Fund, handles the disbursement of Japan's official development aid. Japan says that 70 per cent of its ODA is now completely untied (though that does not mean that the money does not get spent on Japanese goods and services eventually). But Japan is probably now no worse in that respect than other advanced donor countries.

James Andrews

Profile: Coface

Defaults widen deficit

THE ACCELERATION of defaults by several important countries among France's major export customers has had an inevitable impact on the balance sheet of the country's export credit guarantee agency, *Compagnie Française d'Assurances pour le Commerce Extérieur* (Coface).

Coface managed to offset its claims totalling FFr5bn in 1985 and FFr8.2bn the year before with revenues from premiums and funds recovered from previous claims, enabling the agency to show a surplus of FFr1.6bn in 1985 and of FFr400m in 1984.

But in 1986 claims shot up to FFr12.2bn, while premiums continued to stagnate at FFr3.1bn and funds recovered totalled only FFr4.5bn. This left Coface with a deficit of FFr4.6bn.

The situation did not improve last year. Although Coface has yet to report its results for 1987, the agency's deficit is expected to total at least FFr5bn, if not more. Moreover, the French Government has for the first time set funds aside in its budget amounting to FFr1bn for 1987 and FFr1.6bn for this year to help cover its deficit.

The growing number of defaults from customer countries has been exacerbated by a general slump in large export orders for France which, in turn, have had an inevitable impact on

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Profile: SACE

Back in the black

ITALY'S TRADE insurance body, the *Sezione Speciale per l'Assicurazione del Credito all'Esportazione* (SACE), celebrated ten years of activity last year. It marked the occasion by returning a profit, its first surplus since 1981.

Officials point out, however, that the reasons for this result were the major re-financing operations undertaken during the year, rather than any effective turn-round in business. "It is a formal, theoretical surplus, rather than a real one," observed a senior official.

SACE's annual accounts in its first decade illustrate a pattern of fat and lean years. Results over the five years from 1982 to 1986 reflected the extremely difficult situation of world trade, and particularly the problems associated with exports to the Third World, South America and Poland.

The low point for Italy's trade insurance body was reached in 1985, when SACE paid out L1,309bn in policy indemnities but recovered only L355bn from the foreign buyers of Italian goods and services. SACE's annual premium income has fluctuated between L180bn and L190bn, so it accumulated a deficit of about L2,500bn during the quinquennium preceding 1987.

Notwithstanding an increase in payments in 1986, the situation was starting to improve due to higher recoveries. Figures for the first half of last year confirm a continuation of the trend. Recoveries between January and June amounted to L292bn, against payments of L565bn. During the equivalent period of 1986, SACE recovered only L96bn but paid out indemnities on policies amounting to L843bn.

"SACE has never made write-offs," said the official. He explained that some trade operations which had been insured by SACE have been converted to aid, mentioning the case of Bangladesh. "Such decisions are taken by the Treasury. Moreover the amounts involved are small. Aid must certainly not be considered as a write-off."

On the subject of provisions, he said that, because of deficits that were incurred between 1982 and 1986, this had not been an issue at SACE. The subject is, however, now under consideration.

New guarantees allowed by SACE in 1986 totalled L6,060bn, compared with L10,621bn in 1982, both medium/long-term and short-term cover being substantially reduced. For short-term cover, up to 24 months, SACE has to operate within a revolving ceiling of L11,000bn.

With new short-term guarantees of L2,506bn given in 1985 and L1,563bn in 1986, SACE has clearly been operating below its statutory limits. "Our available cover is only about 60 per cent employed," said the official.

This is due both to lower demand for cover and to the country limits which SACE operates. Its black-list and country ratings have been subject to attention and criticism by exporters. However, only five countries are wholly off-limits for SACE cover: Afghanistan, Cambodia, North Korea, Laos and Vietnam. Nevertheless, there are many others for which SACE applies tight restrictions on the cover that it will provide.

A monthly situation report shows the limitations to cover, the availability of cover and SACE's current commitments on a country-by-country basis. Export operations with Poland are insurable for payments spread over a maximum period of one year, and even these must be backed by an irrevocable letter of credit. The same condition is imposed for Iran for which, in November 1980, a decision was taken to limit medium and long term cover to 67.3 per cent.

Destruction risk has been excluded from cover since last December. An irrevocable letter of credit is also a condition for insurance cover for exports to private purchasers in Argentina, in cases where payments are spread over 24 months. Medium and long-term operations are insurable only for exports which are recognised as priority at an inter-governmental level.

Of the total permitted cover of L80bn, set in February last year, L23bn remained 12 months later. In addition, last July, SACE's managing committee made L11.5bn of cover available for the supply of maintenance services and parts for plant and machinery already exported.

Argentina, like Poland and Iraq, is in SACE's lowest ranking Category 3. This is also the most populous category, with a total of 103 countries. Category 3 includes many countries in South and Central America, Africa and South East Asia, and contains few surprises.

SACE Recoveries and Indemnities (Lbn)

	1982	1983	1984	1985	1986
Recoveries	190	77	242	355	601
Indemnities paid out	507	689	890	1,309	1,494
Deficit (before premium income)	317	612	648	954	893

Source: SACE

South Africa and Turkey are Category 3, but Singapore enjoys Category 1 status. Many Category 3 countries, including Tanzania, Zambia and Zaire, are excluded from medium and long-term cover. There are 55 countries in SACE's Category 2, including Algeria, Colombia, Cyprus, the Falklands, Hungary, India, Indonesia, Malaysia, Venezuela and Yugoslavia. Although Venezuela has been placed in Category 2, cover is authorised case-by-case by SACE's managing committee.

At the end of February, 51 countries formed the top-ranking Category 1. Category is important, in that it determines both the availability of cover (countries in Category 1 not being subject to limits) and premiums.

SACE offers three types of cover:

- Political risk only (premiums of 0.5 per cent for Category 1, 1.24 per cent for Category 2 and 2.23 per cent for Category 3, for credit length of three years);
- Political and commercial risk for private buyers with bank guarantee (premiums of 0.75, 1.86 and 3.35 per cent respectively); and
- Political and commercial risk, for private buyers without bank guarantee (premiums of 2.9, 3.6 and 4.59 per cent respectively).

When credit length is extended to five and seven years, premiums are increased by 36 and 72 per cent. Premiums are set by SACE's managing committee. This is headed by the Director General of the Treasury, and has six other members, including representatives from the Ministry of Foreign Affairs, the Ministry of Forign Trade and the Ministry of Industry.

The committee meets weekly to authorise cover for individual operations, and to review country ratings. IMF and World Bank reports are considered, and so also is information gathered from Italian embassies.

Italian exporters complain that the existing structure and procedures are inadequate. They consider that centralisation at the Rome headquarters causes delays. There are also criticisms that the time needed to authorise cover and to process claims is excessively long. But while there has been talk of reorganisation, officials at SACE consider that radical changes are unlikely and that reform will, in any case, not be undertaken in the near future.

David Lane

Defaults widen deficit

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Coface's revenues from premiums. The Finance Ministry recently published statistics confirming the declining trend in large export orders, especially from traditional French Middle East and developing country markets.

While large export orders for the French aerospace and shipbuilding sector rose from FFr21.7bn in 1986 to FFr30.2bn last year, large non-military orders in other sectors have steadily slumped from FFr50.4bn in 1985, to FFr44.4bn in 1986, to FFr34.6bn last year.

The total of new large export orders thus declined to FFr64.8bn last year, from FFr66.1bn the year before; while France's industrial deficit reached FFr38bn last year, after a surplus of FFr64bn four years earlier.

Figures from the Industry Ministry confirm this worrying trend for French exports and the country's export agencies.

France's industrial trade surplus with developing countries has fallen from FFr124bn in 1984 to FFr71bn last year. During the same period, the industrial surplus with Opec countries has dropped from FFr69bn to only FFr27bn, and in the Gulf alone the fall has seen the French surplus shrink from FFr31bn to a mere FFr7bn.

The French Government, during the last three years, has introduced a gradual reform of export credit financing, principally designed to reduce subsidies on export credits. Profiting from the fall in domestic interest rates, the Government has liberalised the French export credit system by ending subsidies on export credits to other industrialised countries, the Soviet bloc and oil exporting nations, as well as allowing French banks greater leeway to offer competitive loan packages to foreign importers.

Interest rate support by the Banque de France and the Banque Française du Commerce Extérieur for the main categories of credits to richer countries have been ended. Subsidies for the shorter maturity portions of export credits to both richer and intermediate income countries have also been removed, although budgetary support continues to hold down rates on longer term portions of intermediate-income country loans.

As part of the deregualtion and modernisation of the French financial markets, the authorities also decided to allow Coface to make use of the newly established French financial futures market, to offer exporters and their clients guaranteed fixed interest rates over renewable six-monthly periods, in addition to an exchange-rate guarantee system based on use of currency options.

Coface has also made an effort to increase its activities in support of small and medium sized companies by making export insurance coverage procedures simpler and more accessible to small concerns. This is to help offset the continuing imbalance in France, with exports remaining too heavily concentrated on large contracts and large enterprises, despite the slump in these large contracts. The idea is to encourage greater short-term coverage for consumer and light goods exports.

But in a more liberalised environment and with lower interest rates, Coface has faced growing competition from the commercial market.

"This has been translated into a loss of premium business in the viable export markets for the agency," explained a French commercial banker specialising in the export credit business. "At the same time, Coface premiums for tricky markets have increased, while export credit margins for safe countries have become smaller and smaller," he added.

In the fierce international competition for dwindling jumbo export projects, France has new also embarked in the monobloc loan business. Monobloc loans, which combine both sides of a mixed credit into a single loan package, have become increasingly attractive to a number of developing countries, and France negotiated its first monobloc loan to finance an oil pipeline project in India.

Paul Betts

Profile: Hermes

Mercurial accounting

HERMES, THE Greek god with the winged sandals, may soon be delivering bad news to West German exporters for the second time in four years.

For Hermes, the private insurance company used by the Government's export insurance scheme, handed the Bonn Government an unexpectedly high deficit of DM1.5bn back in February. The last time the deficit crept up to this level, in 1983-84, the Government instructed Hermes to raise its charges by 40 per cent, amid howls of anguish from industry.

Well, at least a few discreet howls. Unlike some export credit guarantee schemes, West Germany insures a very small proportion of its exports through the Government — a mere 4.6 per cent of all exports in 1987, down from 7.7 per cent in 1983, and a high point of 12 per cent in the mid-1970's when trade with OPEC countries and the USSR was booming.

This is partly because 80 per cent of all West German exports now go to the OECD block, but also because the banks have a larger role and the Government tries to stick only to the sort of risk — mainly political — that the market will not touch. This may also be why the current Hermes losses appear rather larger than those of most of its opposite numbers.

According to Dr Hans-Peter Gehring, a director of the scheme, 80 per cent of its 1987 liabilities of Dm1.5bn were "political", in the sense that they were related to the rescheduling of sovereign foreign debt. Hermes — an old established firm, which deploys about one fifth of its staff (370 people) in the Government service — has actually made the West German Government a lot of money over the years, since the agreement was first established in 1926. Indeed, between 1949 and 1982, an aggregate surplus of close to Dm1.5bn was recorded.

Since then — thanks to the debt crisis and its various knock-on effects — the accumulated deficit has passed DM5bn, but there are at least a few signs of a move in the right direction.

One sign is that, for the first time in four years, 1988 seems to be bringing an upturn in the volume of business, although that may be a consequence of the Government's encouraging Hermes to take a slightly less cautious view of risk in the light of other countries' behaviour.

Theoretically, once a default has been recorded after four months of non-payment (up to nine in exceptional circumstances), Hermes has to pay up, but then no further cover is available for that country or company. The advantage this has given other countries' exporting companies has not gone unnoticed in Bonn, and some vigorous bending of the rules has thus been encouraged.

1988 seems to be bringing an upturn in the volume of business, though that may be a consequence of the Government's encouraging Hermes to take a slightly less cautious view of risk

This bending has been helped by the stipulation that Hermes need not be bound by the usual rules if there is a danger that, without it's help, a German firm might have to make workers redundant or even put them on short-time working.

Nonetheless, how can Hermes' inbred caution — albeit undergoing some Government re-education — be squared with its huge deficit? The answer, as so often in Germany, can be found in extremely cautious accounting techniques.

Whereas many other countries' export credit agencies operate with a profit and loss account and balance sheet, like an ordinary company, Hermes simply calculates the difference between revenue and outgoings at the year end. Not all the debts it has indemnified will be money lost, but, whereas other countries will allow these debts to lie as assets on the balance sheet, Hermes counts them as liabilities.

Dr Gehring says: "If you tried to iron out the accounting discrepancies between the major export credit organisations, I think you would find that we all made roughly the same kind of loss last year. That's not too surprising really, considering that we all face the same problems."

He is also optimistic that there is no political head of steam behind another large increase in Hermes premiums, despite the anxieties about the Government's budget deficit in Bonn. That is presumably partly because government pressure has itself contributed to the sharp rise in the Hermes deficit. And Dr Gehring stresses the fact that, thanks to some re-scheduling deals affecting Nigeria, Poland, Brazil, Argentina and Libya, a lot of money was paid out in 1987 which had been earmarked for 1988.

On the thorny issue of export credit subsidies, the West Germans have always been rather sanctimonious. It is true that they do have a better record than most, and have always been guided by an "insurer of last resort" philosophy which has prevented any competition with the private sector. However, the Government is easily able to break its own strict rules on credit risk, thanks to the job loss loop-hole.

It has also benefited from virtually the lowest "real" interest rates of all those OECD countries that came together in 1983 to set a minimum rate for government-backed credits. Indeed, at times German rates have sunk below the minimum.

Also, despite professing mixed feelings about "mixed financing", the West Germans are getting more and more involved in tied aid. "There is little beyond a short-term advantage from this practice, but as soon as one person starts we all have to do it," says Mr Gehring.

Overall, however, he sees no storm clouds on the horizon. There are, as he sees it, three scenarios for the future: Hermes can solve its deficit problem by becoming excessively cautious; it can take the opposite tack and go for business, in the hope that the world economy will perform rather better than expected, particularly for Third World countries; or it can muddle on much as it does now.

This being Germany in the 1980s, there are no prizes for guessing that the export credit establishment prefers the final option.

David Goodhart